APPENDIX A

United States Court of Appeals
For The Federal Circuit

2006-1243

[Filed June 21, 2007]

S. MICHAEL BENDER, Plaintiff-Appellant,	)
v.	)
Jon W. Dudas, DIRECTOR, PATENT AND TRADEMARK OFFICE, Defendant-Appellee.	)

Before RADER, *Circuit Judge*, PLAGER, *Senior Circuit Judge*, and LINN, *Circuit Judge*.

LINN, *Circuit Judge*.

S. Michael Bender ("Bender") appeals from a final decision by the United States District Court for the District of Columbia that granted summary judgment upholding a disciplinary action taken by the director of the United States Patent and Trademark Office (the "PTO" or "agency") to exclude Bender from practicing before the PTO. Bender v. Dudas, No. 04-CV-1301 (D.D.C. Jan. 13, 2006) ("SJ Order"). Because the

PTO's findings were supported by substantial evidence, and because the disciplinary action was not arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law, we affirm.

I. BACKGROUND

This case involves the PTO's continuing efforts to regulate the conduct of patent agents and attorneys registered to practice before it and to provide assurance to inventors of effective counsel in filing and prosecuting applications for patents in the United States. The background of this case reads like a novel but represents the true story of hopes dashed, fees wasted, and dreams lost by hundreds of individual inventors caught up in the world of self-interested promoters who promise the world and deliver very little.

In the area of patent law, as in most other areas of the law, sophisticated clients generally are able to determine the kinds of legal representation they need and where to find counsel with the skills, integrity, and character appropriate for the matter at hand. Individual inventors, however, are often unfamiliar with even the most basic principles of patent law, do not know where to turn for help, and are vulnerable to those who seek to take advantage of their inexperience. Commonly available sources of guidance often are of little help, either because they are too simplistic or too generalized to be of any particular assistance or because they are too complex to be readily understood. Even mainstream media sources frequently confuse and misunderstand basic intellectual property law precepts. How often do we

read articles confusing the forms of protection applicable to an invention, to a symbol indicating origin, or to a work of authorship with expressions like, "copyrighted his invention," "trademarked his idea," or "patented her textbook"?

The PTO has recognized the need to regulate those who practice before it. To this end, the PTO has determined minimum levels of legal competence and has rigorously administered testing of those who seek to become registered patent agents and attorneys. It has also established minimum standards of ethical conduct expected of registered practitioners and has promulgated rules implementing those standards and providing a mechanism for their enforcement.

For individual inventors, the PTO's listing of registered patent agents and attorneys is a basic resource and an assurance of legal competence and good moral character. But as sophisticated as the PTO is in regulating practitioners who appear before it and in providing information about registered practitioners on its website and in other publicly distributed materials, it frequently finds itself challenged by so-called "invention promoters" who exploit unsophisticated inventors, heap every invention with praise regardless of the merits or the real prospects of legal protection, and entice inventors into engagement agreements filled with hollow guarantees of patent protection and promises of royalty-bearing licenses that seldom yield anything of any significant value.

In seeking to protect the public from unscrupulous invention promoters, the PTO has aggressively sought to monitor and enforce its disciplinary rules against

those registered practitioners who act in concert and participation with these promoters in the prosecution of patent applications before the PTO. This case is about one such practitioner who became complicit in the activities of an invention promoter involving over 1,000 unsuspecting inventors.

These unsuspecting inventors first sought help from American Inventors Corporation ("AIC"), an invention promoter. According to testimony and declarations of past employees and clients, AIC would solicit inventors to present their ideas, tell each inventor that their idea was great, and then perform a patent search. After the search, AIC would conduct a sales presentation that provided the inventor with a positive evaluation of the invention and offered AIC's services in procuring a patent and promoting the invention to manufacturers and other interested parties. The inventor then signed a standard form contract in which he or she paid a flat fee or a combination of a flat fee and a percent of royalty income in exchange for AIC's promise to hire a patent attorney on the inventor's behalf, pay all legal fees associated with prosecuting a patent application, and conduct various marketing activities to promote the invention. AIC also guaranteed that it would refund 100% of the inventor's flat fee if a patent was not procured. The contract did not specify what type of patent would be obtained or in any way explain the differences in protection between a design patent and a utility patent. Indeed, according to past employees and clients, AIC's general policy and practice was to conceal those differences from the inventors.

After the contract was signed, AIC would forward the inventor's disclosure to a patent attorney. Initially, that patent attorney was Leon Gilden. Although a number of the inventors' disclosures indicated that they sought to protect the useful and functional features of the invention—as opposed to ornamentation—Gilden drafted design patent applications in every case. In addition, Gilden allegedly employed draftsmen to add decorative ornamentation or surface indicia to the drawings of the inventions even though such embellishment was not invented by the named inventor. Gilden would send the completed design patent application to AIC, which would get the inventor's signature, and the application would then be filed using Gilden's registration number. At no point did Gilden consult with the inventors regarding the filing of a design patent application or the embellished drawings because, according to a former AIC employee, direct contact between the inventors and the attorney was emphatically discouraged by AIC.

The alleged purpose of this scheme was to make it easier to obtain a patent and to avoid a refund of the inventors' fee under AIC's money-back guarantee. Gilden's alleged involvement in the embellishment scheme prompted the PTO to initiate disciplinary action against him in the early 1990s. The PTO also sent each applicant a Request for Information ("RFI") asking the inventors whether they invented the patterns on the drawings, whether they intended to apply for a design patent over a utility patent, and whether they understood the difference between a design and a utility patent. Ultimately, Gilden

entered into a settlement agreement with the PTO and received a five-month suspension.

In 1993, AIC contracted with Bender, a registered patent attorney, to continue the prosecution of over 1,000 design applications that had formerly been handled by Gilden (the "Gilden applications"). The contract provided Bender with up to $15,000 bi-weekly as compensation for both attorney's fees and prosecution costs. Bender sent each Gilden applicant an engagement letter that included, among other things, the RFI that Gilden had failed to provide to the client and a brief discussion of the differences between a design patent and a utility patent. The engagement letter to each applicant was essentially the same; it did not provide any advice or inquiries that directly related to the particular invention at issue, the type of patent best suited to protect the invention, or the consequences of pursuing a design patent or a utility patent in each particular inventor's case. Furthermore, other than instructing the inventors to respond to the RFIs, Bender did not attempt to determine whether the Gilden applicants had intended to file design patent applications and whether that decision had been made on an informed basis. As the responses to the RFIs indicated, a number of the inventors either did not understand the difference between a design and utility patent or had wanted a utility patent at the time the application was filed. Bender nevertheless continued to prosecute the Gilden applications as design patent applications, taking steps only to have Gilden's improperly added embellishments removed.

In the late 1990s, the Office of Enrollment and Discipline at the PTO began investigating Bender after receiving information indicating that he had violated the PTO's Code of Professional Responsibility. During that investigation, the Office of Enrollment and Discipline sent Bender several RFIs posing questions about his actions and conduct. In August 1999, a meeting of the Committee on Discipline was held in which it was determined that there was probable cause to bring charges against Bender for violations of PTO regulations. An administrative Complaint and Notice dated June 20, 2000, set forth ten counts alleging violations of PTO rules governing attorney conduct.

The charges against Bender were tried before an administrative law judge from March 26 through March 29, 2001. In a thorough 48-page opinion, the administrative law judge found that Bender had violated numerous PTO rules on attorney conduct and that exclusion from practice was warranted. Bender sought review of that initial decision under 37 C.F.R. § 10.154. In an equally thorough opinion, the general counsel for the PTO issued a final decision that adopted some of the violations found in the initial decision and affirmed the sanction of exclusion. Specifically, the general counsel found that Bender had neglected an entrusted legal matter in violation of 37 C.F.R. § 10.77(c); accepted employment where professional judgment may be affected in violation of 37 C.F.R. § 10.62(a) and accepted compensation from a person other than a client without a full disclosure to the client in violation of 37 C.F.R. § 10.68(a)(1); and engaged in conduct that was prejudicial to the administration of justice in violation of 37 C.F.R.

§ 10.23(b)(5). Bender requested reconsideration of the final decision under 37 C.F.R. § 10.156(c). Reconsideration was largely denied.

Bender then filed a petition in the U.S. District Court for the District of Columbia to challenge the PTO's final decision. 35 U.S.C. § 32; 37 C.F.R. § 10.157. Based on the administrative record, Bender and the government filed cross-motions for summary judgment. Bender alleged procedural and due process violations; lack of jurisdiction; improper application of statutes, precedent, and agency regulations; and lack of a factual basis for the administrative law judge's and general counsel's decisions. *See SJ Order*, slip op. at 5. The district court confirmed that there were no genuine issues of material fact with respect to those issues and—in a 50-page opinion—addressed each of Bender's arguments, finding them unpersuasive. *See id.*, slip op. at 7-49. Accordingly, the district court denied Bender's motion for summary judgment and granted summary judgment to the government. *Id.*, slip op. at 50.

Bender filed a timely appeal to this court. Following oral argument, we instructed the parties to submit supplemental briefing addressing the standard utilized by the PTO in determining the sanction of exclusion and the proper standard of review for reviewing that determination. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1). *See Wyden v. Comm'r of Patents & Trademarks*, 807 F.2d 934, 937 (Fed. Cir. 1986) (en banc).

II. DISCUSSION

The PTO has statutory authority to suspend or exclude "from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title." 35 U.S.C. § 32. Section 2(b)(2)(D) delegates to the PTO the authority to establish regulations governing the conduct of attorneys practicing before the PTO. *Id.* § 2(b)(2)(D). Pursuant to that statutory authority, the PTO has enacted disciplinary rules, *see* 37 C.F.R. § 10.20(b) (listing the various disciplinary rules), and has established procedures and standards for determining whether those rules have been violated and what sanction should be imposed, 37 C.F.R. §§ 10.130-10.170.

The disciplinary action taken by the PTO is subject to review by the U.S. District Court for the District of Columbia according to the provisions of the Administrative Procedure Act. *See* 5 U.S.C. §§ 702-706; 35 U.S.C. § 32. Under that Act, the agency's choice of sanction is held unlawful only if it is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706; *see also Butz v. Glover Livestock Comm'n Co.*, 411 U.S. 182, 185-86 (1973) ("[W]here Congress has entrusted an administrative agency with the responsibility of selecting the means of achieving the statutory policy 'the relation of remedy to policy is peculiarly a matter of administrative competence.'" (citation omitted)). The underlying factual findings used to support such a sanction are reviewed for substantial evidence.

Lipman v. Dickinson, 174 F.3d 1363, 1367 (Fed. Cir. 1999). We review the district court's decision on summary judgment without deference, reapplying on appeal the same standards applicable to the district court. *Lacavera v. Dudas*, 441 F.3d 1380, 1382 (Fed. Cir. 2006).

Bender argues that substantial evidence does not support the PTO's findings that he violated various disciplinary rules, that the PTO exceeded its authority and violated his constitutional rights, and that the PTO abused its discretion in determining that exclusion was an appropriate sanction. We disagree and address each of Bender's arguments in turn.

A. Substantial Evidence

The agency found that Bender violated multiple regulations governing attorney conduct before the PTO.

1. Section 10.77(c)

First, the PTO found that Bender "neglect[ed] a legal matter entrusted to the practitioner" in violation of 37 C.F.R. § 10.77(c). As the Gilden applicants' responses to the PTO indicated, many of Bender's clients did not appreciate the substantive difference between a design patent and a utility patent at the time the application was filed. Some applicants indicated that they had wanted to file a utility patent application. Although Bender was aware of those responses, he continued to prosecute the Gilden applications as design patents. The brief discussion of the difference between design and utility patents

provided by Bender's engagement letter was an entirely hollow and formalistic gesture because it did not provide any of the Gilden applicants with advice that directly related to the particular inventions at issue, the type of patent best suited to protect these particular inventions and the inventor's interests therein, or the consequences of pursuing a design patent instead of a utility patent. This failure is even more glaring in view of AIC's money-back guarantee that a patent would issue without regard to the type of patent that would be procured. Because design applications had already been filed in each case, and because AIC's money-back guarantee motivated continued prosecution of those applications as design applications, the information provided by Bender's engagement letter was an inadequate response to the confusion demonstrated by his clients' earlier responses to the RFIs. Any reputable attorney would have appreciated that the wholesale filing of design applications under such circumstances and the unauthorized addition of design embellishments were driven in large measure if not entirely by AIC's money-back guarantee. Such an attorney would have identified that motivation to each inventor, explained that such a motivation was not necessarily in the inventor's best interests, educated that inventor on the steps needed either to fix the improperly embellished design applications or to file continuation utility applications, and otherwise advised that inventor on how best to proceed in his or her particular case. As the PTO correctly found, Bender's communications to the Gilden applicants at the outset of his representation fell far short of these minimum standards.

Bender also fell short in neglecting to notify some of his clients of final rejections in their applications until *after* the three-month period for responding to those rejections had expired. Bender does not dispute this failure, but instead explains that he purposefully delayed action in those cases pending the resolution of an appeal in a "test case" that directly related to the rejections.[1] While such an explanation might justify *advising* the client to seek an extension of time under 37 C.F.R. § 1.136 or a stay of proceedings pending resolution of the test case, it does not justify an absolute failure to notify the client at all that a final rejection had issued, let alone the response needed, until after the period for response expired. Although Bender argues that the delayed notification had no adverse impact on the applications, prompt notification of the final rejection accompanied with an explanation of the available options would have given

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[1] After assuming the Gilden applications, Bender filed continuation design applications on the applicants' behalf that amended the original applications by deleting the improperly added patterns from the drawings. In one of those applications, the Board of Patent Appeals and Interferences described the matter as an issue of first impression and concluded that such an amendment constituted "new matter" that did not benefit from the earlier filing date. *See In re Daniels*, 144 F.3d 1452, 1455 (Fed. Cir. 1998). Bender was counsel for that applicant on appeal to this court, and we ultimately reversed the Board's decision. *Id.* at 1457.

Bender's clients the choice as to how best to proceed and would have avoided depriving them of the right to avoid paying late filing surcharges.[2]

Because substantial evidence supports the PTO's determination that Bender neglected to advise his clients on how best to protect their inventions and neglected to promptly inform his clients that final rejections were received in their applications, we see no basis to overturn the decision that Bender violated 37 C.F.R. § 10.77(c).

2. Sections 10.62(a) and 10.68(a)(1)

Second, the agency found that Bender's financial relationship with AIC created a conflict of interest. Specifically, the PTO concluded that Bender's compensation from AIC affected Bender's "professional judgment on behalf of the client" in violation of 37 C.F.R. § 10.62(a) and constituted compensation by one other than the client without "the consent of the practitioner's client after full disclosure" in violation of 37 C.F.R. § 10.68(a)(1). The PTO interpreted section 10.62(a) as requiring, at a minimum, that Bender disclose the extent of his relationship with AIC and explain how AIC's money-back guarantee to procure a patent and its alleged involvement in improperly adding non-invented patterns to the drawings of the Gilden applications could create divergent interests in the continued prosecution of those applications. The

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[2] At the time, AIC had declined to pay for such prosecution costs, and Bender informed the individual clients that they were responsible for any continued prosecution costs and fees.

PTO also interpreted the "full disclosure" requirement of section 10.68(a)(1) as requiring disclosure of the amount that Bender was being paid by AIC. Because both regulations require "full disclosure"—an undefined term that is left to the agency to determine—we defer to these interpretations of the agency's own regulations because they are not "plainly erroneous or inconsistent with the regulation." *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 512 (1994) (quoting *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410, 414 (1945)). Because Bender fails to point to any indication in the record that he met the disclosure requirements of 37 C.F.R. §§ 10.62(a) and 10.68(a)(1) as interpreted by the agency, we again see no basis to overturn the PTO's determination that Bender violated those regulations.

3. Section 10.23(b)(5)

Finally, the agency found that Bender "[e]ngaged in conduct that is prejudicial to the administration of justice" in violation of 37 C.F.R. § 10.23(b)(5) by providing the PTO with evasive responses to RFIs. In the RFI dated September 18, 1999, Bender was asked to explain when AIC made the offer to Bender to assume prosecution of the Gilden applications and when Bender accepted that offer. Bender responded by referring to another answer in which he stated only that he had represented the inventors since about 1993. The same RFI also asked Bender whether he had disclosed his financial relationship with AIC to certain clients and whether he had explained to both those clients and AIC that he represented the clients' interests and not AIC's interests. Bender's only response to that question was to object that such a

request was argumentative, indefinite, and based on the false premise that he represented the interests of AIC. The PTO's questions were specific questions directed to Bender's relationship with AIC and his disclosure of that relationship to his clients. His failure to respond to those questions in any meaningful way hindered the PTO's investigation. We therefore conclude that substantial evidence demonstrates that Bender engaged in evasive conduct prejudicial to the PTO's investigation, and we see no basis to overturn the PTO's determination that Bender violated 37 C.F.R. § 10.23(b)(5).

B. The Propriety of the Agency's Regulations and Actions

1.

Bender argues that 35 U.S.C. §§ 2(b)(2)(D) and 32 only authorize the PTO to establish regulations governing the conduct of attorneys "before the Office" and that the regulations at 37 C.F.R. §§ 10.62, 10.68, and 10.77 exceed that authority because they relate to client communications that are not made "before the Office." The language of those statutes indicates that they are broadly directed to service, advice, and assistance in the prosecution or prospective prosecution of applications. *See* 35 U.S.C. § 2(b)(2)(D) (ensuring that attorneys "render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office"); *id.* § 32 (providing for the suspension or exclusion of any attorney that defrauds, deceives, misleads or threatens "any applicant or prospective applicant, or other person

having immediate or prospective business before the Office"). The regulations in question are well within the scope of the enabling statutes. To the extent the phrase "before the Office" in sections 2 and 32 is ambiguous, we defer to the PTO's reasonable interpretation of that phrase as authorizing regulations that govern a patent attorney's communications with and disclosures to a client in connection with the prosecution of applications before the PTO. *See Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842-845 (1984); *Lacavera*, 441 F.3d at 1383 ("Because the PTO is specifically charged with administering [35 U.S.C. § 2(b)(2)], we analyze a challenge to the statutory authority of its regulations under the *Chevron* framework.").

2.

Bender also argues that the Fourth Circuit's decision in *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004), establishes that the PTO's use of RFIs in his disciplinary investigation lacked procedural safeguards and was therefore constitutionally defective. The constitutionality of such RFIs was not at issue in *Goldstein*. Rather, the issue in that case was whether employees of the PTO were entitled to absolute or qualified immunity when conducting a disciplinary investigation. *Id.* at 211. The Fourth Circuit held that the employees were entitled only to qualified immunity, a determination it supported by the fact that such an investigation lacked procedural safeguards to protect the investigated attorney's rights. *See id.* at 217-19. The Fourth Circuit's

decision did not hold that the use of RFIs in a disciplinary investigation was unconstitutional.

As the Supreme Court has recognized, "when governmental action does not partake of an adjudication, as for example, when a general fact-finding investigation is being conducted, it is not necessary that the full panoply of judicial procedures be used." *Hannah v. Larche*, 363 U.S. 420, 442 (1960); *see also id.* at 444-49 (surveying legislative, executive, and judicial investigative agencies and noting that those that appear before such agencies are generally not accorded procedural safeguards). That is because such procedures would unduly stifle the agency in its gathering of facts. *See id.* at 443-44. Here, the PTO issued to Bender RFIs in the course of conducting a nonadjudicative, fact-finding investigation prior to the initiation of any adjudicative proceedings. 37 C.F.R. § 10.131. This type of RFI not only assists the agency in gathering facts, it also protects practitioners by providing them with an opportunity to explain any questionable conduct and present reasons why disciplinary proceedings are not warranted. We therefore reject Bender's arguments based on *Goldstein* that the PTO's use of RFIs in its disciplinary investigation violated his right to procedural due process. We have considered Bender's remaining constitutional arguments and find them unpersuasive.

C. The Sanction of Exclusion

In deciding what sanction to impose, the PTO normally considers "(1) the public interest; (2) the seriousness of the violation of the Disciplinary Rule; (3) the deterrent effects deemed necessary; (4) the

integrity of the legal profession; and (5) any extenuating circumstances." 37 C.F.R. § 10.154(b). Bender argues that exclusion was improper because such a "draconian" sanction was motivated by malice, was punishment oriented, and failed to account for extenuating circumstances.

The PTO properly initiated disciplinary action in this matter based on improper practices conducted in the course of Bender's representation of clients that had been originally represented by Gilden and referred by AIC. After the improprieties surrounding the affairs of AIC came to light, Gilden agreed to a five-month suspension from practice to avoid formal disciplinary proceedings. That sanction was the result of a settlement agreement in which Gilden admitted to violating various regulations. Bender, however, has maintained throughout these proceedings that he has done nothing wrong. Moreover, he has continued to demonstrate a complete lack of remorse despite the clear findings, supported by substantial evidence, that Bender neglected legal matters with which he was entrusted, failed to disclose the conflict created by his financial relationship with AIC, and engaged in conduct prejudicial to justice.

Bender's sanction was not punishment oriented or based on malice. To the contrary, the PTO carefully evaluated and applied the factors outlined by section 10.154(b), including the extenuating circumstances that Bender identified. Specifically, the PTO considered Bender's efforts in litigating the *Daniels* case, the sanctions imposed in similar circumstances, and Bender's age. The PTO also noted that Bender had violated multiple regulations, that his misconduct

was aggravated by specific notice from the outset that the arrangement with AIC was not resulting in adequate consideration of the inventors' needs, and that Bender refused to recognize the impropriety of his conduct or to express any remorse for his actions. The PTO ultimately concluded that Bender's failure to recognize that his conduct was improper created a likelihood that he would continue to violate the same disciplinary rules again and that, as a result, exclusion was necessary. The district court agreed.

Although Bender may have only had the best intentions in mind in assuming prosecution of the Gilden applications, the best of intentions cannot absolve Bender's complicity with AIC in a scheme fraught with deception and adversely affecting a large number of unsuspecting inventors. As an experienced patent practitioner, Bender had to have appreciated that the wholesale practice of filing design applications with unauthorized design embellishments in hundreds of applications was not in the inventors' interests but instead was driven by AIC's money-back guarantee. He should have known that the kind of letter he sent to his newly acquired clients fell far short of the explanation needed to address the distressed circumstances in which his clients were placed by his new employer, AIC. His letter, even though well written and perhaps sufficient as an engagement letter of a client in the first instance, only perpetuated the harm done to the Gilden applicants by treating what had previously transpired as nothing out of the ordinary when the circumstances of this entire matter—and Bender's conflicting interests in particular—were quite extraordinary. Bender's failure to appreciate that fact supports the PTO's

determination that any sanction less than exclusion would not provide the necessary deterrent effect. Because we cannot conclude that the sanction of exclusion is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law, we have no reason to disturb the PTO's sanction of exclusion from practice.

III. CONCLUSION

For all of the foregoing reasons, we affirm the district court's grant of summary judgment.

AFFIRMED

APPENDIX B

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Civil Action No.: 04-1301 (RBW)

[Filed March 13. 2006]

S. MICHAEL BENDER,
Plaintiff,

v.

JON W. DUDAS,
Director of the United States Patent and Trademark Office,
Defendant.

MEMORANDUM OPINION

The plaintiff, S. Michael Bender ("Bender"), brings this action against the defendant, Jon W. Dudas ("Dudas"), Director of the United States Patent and Trademark Office ("PTO"), pursuant to 35 U.S.C. § 32 (2000), challenging the Director's Final Decision precluding him from practicing law before the PTO. Complaint ("Compl.") ¶¶ 2, 6. Currently before the Court is the Plaintiff's Motion for Summary Judgment and Memorandum in Support Thereof ("Pl.'s Mot."), requesting this Court to vacate the Director's Final

Decision, and the defendant's Cross-Motion for Summary Judgment, which asks this Court to grant summary judgment in its favor with respect to the Director's Final Decision on the grounds that it was reasonable, lawful, and supported by substantial evidence in the record. Defendant's Cross-Motion for Summary Judgment ("Def.'s Mot."). For the reasons discussed below, the plaintiff's motion for summary judgment is denied and the defendant's motion for summary judgment is granted.

I. Background

Bender is an attorney who has been practicing patent law since 1966. Plaintiff's Statement of Undisputed Material Facts ("Pl.'s Stmt.") ¶ 59. In 1993, Bender assumed the prosecution of a large number of patents before the PTO formerly handled by another attorney, Leon Gilden ("Gilden"). Pl.'s Stmt. ¶ 1. At that time, Gilden was involved in disciplinary proceedings which stemmed from Gilden's filing of over 1000 patent applications "under the auspices" of American Inventor's Corporation ("AIC"), an invention marketing company. *Id.* ¶¶ 2, 3. The disciplinary proceedings resulted from the PTO's discovery that Gilden, or someone associated with his office, had "embellished the drawings in each application with a unique decorative pattern of surface indicia," a tactic allegedly employed for the purpose of obtaining a patent for each application and "avoid[ing] a refund of AIC's service fee under a guarantee clause contained in some, but not all of the contracts between each inventor and AIC." *Id.* ¶ 4. The matter was ultimately settled with Gilden receiving a 5-month suspension from practicing before the PTO. *Id.* ¶ 2.

In assuming Gilden's cases, Bender entered into an agreement with AIC that required the company to pay him for his work and the associated costs on the patent cases. *Id.* ¶ 6. At some point, the PTO discovered Bender's relationship with AIC and began sending him "disciplinary letters in the form of Requirements for Information" ("RFIs"); ultimately the PTO sent Bender at least 20 such letters. *Id.* ¶¶ 7-8, 28. The letters were all signed by Harry I. Moatz ("Moatz"), who was at the time an investigator in the PTO's Office of Enrollment Discipline ("OED"); Moatz eventually became the OED's Director. *Id.* ¶¶ 38, 42, 47. On September 18, 1998, the PTO sent Bender an RFI that required him to answer questions concerning his representation of several clients associated with AIC. Defendant's Statement of Material Facts with respect to which there is No Genuine Issue ("Def.'s Stmt.") ¶ 17. In August, 1999, Moatz called a meeting of the Committee on Discipline ("Committee") to determine whether there was probable cause to bring charges against Bender and presented evidence to the Committee procured during his investigation of Bender. Compl. ¶ 48, 50. The Committee determined that there was probable cause, and an administrative Complaint and Notice of Proceedings, dated June 20, 2000, and signed by Moatz, was served on Bender. *Id.* ¶ 56. The complaint set forth 10 counts alleging violations of the PTO's rules governing attorney conduct in conjunction with Bender's representation of nine AIC related clients and one other client that was associated with another invention promotion company named "Phase 2." Pl.'s Stmt. ¶¶ 33-34. Each count of the administrative complaint related to a particular inventor and multiple rules violations. *See generally* Administrative Complaint ("Admin. Compl.").

Administrative Law Judge ("ALJ") William B. Moran presided over Bender's hearing on the allegations charged in the complaint, which occurred on March 26 through March 29, 2001. Initial Decision of the ALJ ("ALJ Decision") at 1.[1] The ALJ found that Bender had violated several provisions of the PTO's rules on attorney conduct, which resulted in his exclusion from practice before the PTO. ALJ Decision at 44-48. Bender appealed the ALJ Decision and a Final Decision ("GC Decision") was then issued by James A. Toupin (Toupin"), General Counsel of the PTO, which concluded that some of the ALJ's rules violation findings against Bender were in error, but that others were not.[2] Specifically, the GC Decision reversed the ALJ's decision with respect to 18 of the violation findings, and sustained the ALJ's decision with respect to 21 of the violation findings.[3] GC

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[1] Pursuant to Local Rule 83.7, Bender filed a copy of the administrative record with this Court on September 24, 2004. *See* plaintiff's Notice of Filing. The administrative record contains, *inter alia*, the administrative complaint, the administrative law judge's decision and the general counsel's decision. Because both parties rely extensively on the content of these documents, and because this Court's review also depends in part on an examination of these documents, they will be cited to directly throughout this opinion.

[2] The Under Secretary of Commerce for Intellectual Property and the Director of the PTO delegated to Toupin on January 31, 2002, the authority to decide appeals from the initial decision and to issue decisions pursuant to 37 C.F.R § 10.156. GC Decision at 47 n.5.

[3] As indicated, each count of the administrative complaint pertains to a particular client of Bender. With the exception of

Decision at 39-40. Toupin concluded that the ALJ correctly found that Bender violated several PTO disciplinary regulations, which are set forth in Chapter 37 of the Code of Federal Regulations ("C.F.R."). Namely, Toupin found that Bender violated 37 C.F.R. § 10.23(b)(5) (2000), which prohibits PTO practitioners from engaging in conduct that is prejudicial to the administration of justice; 37 C.F.R. § 10.62(a) (2000), which prohibits PTO practitioners from accepting employment where the practitioners's professional judgment may be affected by his own interests; 37 C.F.R. § 10.68(a)(1) (2000), which prohibits PTO practitioners from accepting compensation from a person other than his own client; and 37 C.F.R. § 10.77(c) (2000), which prohibits PTO practitioners from neglecting a legal matter entrusted to the practitioner. GC Decision at 1. As to these violations, the GC Decision thoroughly explained why the ALJ's findings of the violations were both factually and legally correct. GC Decision at 20-36 (internal evidentiary references omitted). The GC Decision also addressed and rebutted Bender's challenges to the ALJ's findings, as well as various arguments raised by Bender. *Id.* Specifically, Bender raised several questions with respect to the sufficiency of the administrative complaint, *id.* at 4-9; the PTO's compliance with the Administrative Procedure Act ("APA"), *id.* at 9-11; the PTO's jurisdiction to sanction practitioners like Bender and the related issue of state

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count 2, which is not at issue in this case because the violation therein was not sustained by the GC Decision, each count consists of four or five core allegations that apply to each of Bender's clients.

law preemption, *id.* at 12; the meeting conducted by the Committee on Discipline and whether its finding of probable cause to file the administrative complaint constituted an adjudication, *id.* at 13; the ALJ's exclusion of certain evidence and whether the exclusions were proper, *id.* at 14-16; whether the ALJ was biased and whether his appointment was proper, *id.* at 16-18; whether expert testimony was required in the case, *id.* at 18; whether the ALJ's decision not to dismiss the counts where witness testimony was not adduced was correct, *id.* at 18-19; whether certain violations found by the ALJ cannot be sustained based on the ALJ's findings of fact and whether other findings of fact were warranted, *id.* at 36-38, and whether the sanction of exclusion from practice before the PTO was appropriate, *id.* at 40.

In response to Bender's Request for Reconsideration of the GC Decision, the PTO, pursuant to 37 C.F.R. § 10.156(c) (2004), issued its decision on July 26, 2004, upholding the GC Decision in its entirety.[4] Defendant's Memorandum of Points and Authorities in Support of his Cross-Motion for Summary Judgment and in Opposition to Plaintiff's Motion for Summary Judgment ("Def's Mem.") at 5.

Now, in this action filed in this Court, Bender raises many of the same objections and arguments that he raised before the PTO, as well as new arguments based on the GC Decision. Currently before this Court are the parties' cross-motions for

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[4] The only correction of the GC Decision was the removal of an erroneous footnote. Def.'s Mem. at 5.

summary judgment. Some of these arguments question the factual basis for the administrative law judge's and general counsel's conclusions. Other arguments allege procedural and due process violations, lack of jurisdiction, and improper application of statutory and case law and agency regulations. Each of these arguments are discussed below.

II. Standard of Review

"Summary judgment is an appropriate procedure for resolving a challenge to an agency's administrative decision when review is based upon the administrative record." *R.D. ex rel. Kareem v. District of Columbia*, 374 F. Supp. 2d 84, 89 (D.C. Cir. 2005) (citing *Richards v. I.N.S.*, 554 F.2d 1173, 1177 & n.28 (D.C. Cir. 1977)). "By its very terms, [the summary judgment] standard provides that the mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no *genuine* issue of *material* fact." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986) (emphasis in original).

The material facts in this case are those that pertain to the disciplinary violations upheld in the GC Decision.[5] This Court's review of the parties' statements of material fact as well as the

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[5] To the extent that the parties' statements of undisputed fact do not address the facts relating to the violations found in the GC Decision, the Court has reviewed the administrative record to determine what facts were presented to the PTO.

administrative record confirms that there are no genuine issues of material fact in dispute with respect to the questions to be decided by this Court. Accordingly, the Court will review each of the parties' claims under the appropriate standard, as set forth in the Administrative Procedure Act. The specific issues to be addressed by this Court are (1) whether the Fourth Circuit's decision in *Moatz v. Goldstein*, 364 F.3d 205 (4th Cir. 2004), has any impact on the case presently before the Court; (2) whether the PTO has the authority to promulgate disciplinary rules and to impose the sanction of exclusion for conduct such as those found in this case; (3) whether the violations are supported by substantial evidence in the record and whether the PTO's interpretations of its disciplinary rules are reasonable; (4) whether there is evidence of bias or prejudgment amounting to a denial of the plaintiff's right to be adjudicated by a neutral decisionmaker; (5) whether the PTO violated the APA with respect to the separation of functions requirement and in dispensing with the notice requirement; (6) whether the administrative complaint was sufficiently specific to comply with the APA; and (7) whether the PTO or the ALJ commited significant procedural errors regarding the plaintiff's hearing and adjudication. Each issue will be discussed in turn.

III. Analysis

A. Impact of the Fourth Circuit's Decision in *Moatz v. Goldstein*

Bender argues that "[a]s a matter of law, the GC Decision in this proceeding is void in view of a dispositive controlling decision handed down . . . in

Goldstein v. Moatz, 364 F.3d 205 (4th Cir. 2004)." Pl.'s Mot. at 17. He contends that the *Goldstein* decision voids the GC Decision and compels this Court to grant his motion for summary judgement. Pl.'s Opp'n at 1-4. Bender also claims, more specifically, that under *Goldstein*, the RFI to which his answers were deemed evasive and thus in violation of 37 C.F.R. § 10.23(b)(5), constituted a request for improper discovery and that the charge of evasion therefore "cannot be supported by substantial evidence as a matter of law." Plaintiff's Opposition ("Pl.'s Opp'n") at 21-22. Further, Bender argues that the PTO acted in bad faith in "concealing" the *Goldstein* decision when issuing its Decision Upon Reconsideration ("DUR") by not mentioning or following the *Goldstein* decision. Pl's Mot. at 1920. Finally, Bender argues that he did not waive the claim that the RFIs amounted to requests for improper discovery because (1) "he frequently contested the 'appropriateness' of the 'improper RFIs'" during the investigation and (2) *Goldstein* is an "intervening change in law" which permits him to advance the argument even if he failed to do so before the agency if the supervening decision has changed the law in his favor and the law was so well-settled at the time of trial that any attempt to challenge it would have appeared pointless. Pl.'s Opp'n at 2 (citing *United States v. Washington*, 12 F.3d 1128, 1139 (D.C. Cir. 1994)).

On the other hand, the PTO contends that *Goldstein v. Moatz* has no bearing on the instant case for several reasons. First, the PTO argues that Bender waived his argument with respect to the impropriety of the RFIs and therefore cannot raise the argument at this time. Def.'s Mem. at 20-21; Reply in Support of

Defendant's Cross-Motion for Summary Judgment ("Def.'s Reply") at 1-3. The PTO further asserts that it did not "conceal" the *Goldstein* opinion (to the extent that was possible), but rather did not cite the opinion because it was not relevant to its decision. Def.'s Mem. at 21. Second, the PTO argues that while *Goldstein* is characterized by the plaintiffs as a "dispositive controlling decision," as a Fourth Circuit decision it is not binding on this Court. *Id.* at 22. Third, the PTO argues that the *Goldstein* decision did not reach the questions of the constitutionality of RFIs and that its discussion concerning the authority of the PTO to issue RFIs was dictum. *Id.* at 23-25. Lastly, the PTO argues that even if *Goldstein* does hold that RFI's are unconstitutional, application of the exclusionary rule to the discovered information is inappropriate because the rule does not apply to administrative proceedings. *Id.* at 27-29.

In *Goldstein*, the plaintiff was a patent attorney who was under investigation for misconduct and was directed by the PTO to respond to RFIs. 364 F.3d at 207-08. *Goldstein* then filed suit against several PTO officials in their individual capacities, seeking damages and declaratory relief in a *Bivens*[6] action arguing, *inter alia*, that the issuance of the RFIs violated his constitutional rights to free speech and due process. *Id.* at 209-10. The district court had held that the defendants were entitled to absolute immunity, and the issue on appeal to the Fourth Circuit was whether the district court's absolute

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[6] *Bivens v. Six Unknown Named Agents of Fed. Bureau of Narcotics*, 403 U.S. 388 (1971).

immunity ruling was correct. *Id.* at 210-11. The Fourth Circuit reversed the district court's decision and found that the defendants were not entitled to absolute immunity because they were performing investigative, as opposed to prosecutorial activities. *Id.* at 215. As a factor that supported denying the officials absolute immunity, the *Goldstein* Court noted that the process of requiring information through RFI's prior to the initiation of formal charges lacked any procedural safeguards. *Id.* at 217. The Court made this point because the "Supreme Court ha[d] indicated that, in assessing whether absolute immunity applies in a particular situation, [courts] should consider whether the system in question contains adequate procedural safeguards, such that private litigation is unnecessary to protect constitutional rights." *Id.* at 217 (citing *Butz v. Economou*, 438 U.S. 478, 512 (1978)). The Fourth Circuit concluded that *Goldstein* lacked the protection he would have been afforded by the formal discovery process, and it therefore remanded the case to the district court to determine whether the defendants were entitled to qualified immunity. *Id.* at 219.

Although the Fourth Circuit noted that the PTO's process of obtaining information through RFIs lacked any procedural protections, nowhere in the opinion did the court hold that the PTO did not have the authority to issue them. Rather, the Fourth Circuit's finding that the officials were not entitled to absolute immunity was based on the notion that attorneys must be provided procedural protections when RFIs are submitted to them. The Court found that "the only available limitation in this system is a private lawsuit; therefore, it is all the more important that the

[d]efendants not be accorded absolute immunity." *Id.* at 219. In other words, the *Goldstein* Court recognized that patent attorneys needed procedural protection from coercive RFIs issued by the PTO, but it did not hold that the PTO lacks the authority to issue them. Lawyers may choose not to respond and seek redress by filing a lawsuit, or they may choose to respond to them. *Goldstein* therefore does not support the proposition which Bender urges, *i.e.*, that the PTO lacks the authority to issue RFIs prior to the initiation of an action under § 32. Accordingly, the Court declines to address any arguments advanced by the plaintiff that are based on the premise that the PTO lacks such authority.

To the extent that Bender's arguments regarding the PTO's lack of authority to issue RFIs are his own independent positions and are not based on his position that *Goldstein* is dispositive or binding, the Court must first determine whether he is raising these arguments for the first time on appeal from the GC Decision, and if so, whether they have therefore been waived. The District of Columbia has instructed that "[t]o preserve a legal or factual argument, we require its proponent to have given the agency a 'fair opportunity' to entertain it in the administrative forum before raising it in the judicial one." *Nuclear Energy Institute, Inc. v. Envtl. Prot. Agency*, 373 F.3d 1251, 1290-1291 (D.C. Cir. 2004). Thus, the general rule with respect to waiver is that "claims not presented to the agency may not be made for the first time to a reviewing court." *Id.* at 1290 (quoting *Omnipoint Corp. v. FCC*, 78 F.3d 620, 535 (D.C. Cir. 1996)).

It is Bender's position that he did not waive his claim that coercive RFIs are, as a general matter, improper. Pl.'s Opp'n at 2. In support of this position, he points to several instances in which he challenged certain specific RFIs as improper. *Id.* In his response to the August 21, 1998 RFI, for example, Bender argued to the PTO that the RFI was "retaliatory," intended to "harass" him, and "[sought] to injure invention marketing companies" and attorneys associated with such companies. *Id.* (citing response to RFI of August, 21, 1998). In response to another RFI, Bender made similar arguments, and also alleged that the RFI was essentially repetitive and an abuse of process. *Id.* (citing response to RFI of September 17, 1998).[7] These and other objections must be considered in light of the fact that Bender responded to numerous other RFI's without objection. Indeed, as pointed out by the PTO in its Opposition, the ALJ questioned Bender about the duty of an attorney to respond to RFIs, asking him, "if the Patent Office sends you a letter and that letter is received by you and you do not make a response would that be . . . at least a technical violation of the duty that a patent attorney owes to the Patent and Trademark Office . . . .?" Def.'s Reply at 2 (citing Administrative Hearing Transcript at 63-64.). To this question, Bender replied: "Yes. It's my opinion that no response would definitely be a violation . . . [b]ut I responded to every letter and there were many, many letters." *Id.* It therefore appears that while Bender objected to certain RFI's on specific grounds, he did not raise the objection that the mere issuance of

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[7] Bender references objections to four RFIs that were submitted to him.

RFIs to attorneys is improper, and that he agreed that as a general matter, patent attorneys had a duty to respond to them.

It therefore appears that Bender is raising his claim about the general impropriety of RFIs for the first time in his appeal to this Court. Nevertheless, it is Bender's position that the claim was not waived because "it is well settled that an intervening change in law permits assertion of a non-pleaded defense on appeal, particularly when it would have been fruitless to do so below before the change in jurisprudence." Pl.'s Opp'n at 2 (citing *Washington*, 12 F.3d at 1139). Thus, because this argument relies on the Fourth Circuit's decision in *Goldstein*, and because, as explained above, *Goldstein* does not stand for the proposition that issuance of RFIs prior to the initiation of a § 32 action is beyond the PTO's authority, Bender's claim that *Goldstein* constitutes a supervening change in law must be rejected. This Court therefore concludes that Bender waived his general challenge to the propriety of the PTO even issuing RFIs, and it therefore declines to address the merits of this argument.[8]

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[8] Even if there was no waiver, the information acquired from the plaintiff was properly considered by the PTO because exclusion pursuant to the exclusionary rule is not an appropriate remedy in administrative proceedings.

B. Does the PTO have the authority to promulgate disciplinary regulations and to impose the sanction of exclusion for the conduct found in this case?

1. The PTO's Statutory Authority to Discipline Attorneys

Bender argues that the PTO lacks the statutory authority to discipline attorneys for conduct such as that found in this case. Pl.'s Mot. at 10; Pl.'s Opp'n at 11, 21. He contends that the regulations promulgated by the PTO with respect to the conduct and discipline of attorneys are beyond the "federal objectives" of the PTO as set forth in 35 U.S.C. § 2(b)(2)(D) (2000). Pl.'s Mot. at 10; Pl.'s Opp'n at 11, 21. Specifically, Bender asserts that the term "before the Office" in § 2, restrict the PTO's authority to regulate the conduct of patent attorneys, and that the regulation in this case exceeds that authority because the conduct at issue in this case does not constitute a matter pending "before" the agency. Pl.'s Mot. at 10; Pl.'s Opp'n at 11, 21.

Where an agency is charged with implementing the statute at issue, the analysis in *Chevron, U.S.A. v. NRDC*, 467 U.S. 837, 842-845 (1984) must be employed to determine whether the agency's interpretation of the statute must be upheld. The familiar two-step inquiry set forth in Chevron is as follows:

> [courts] ask first whether 'Congress has directly spoken to the precise question at issue,'. . . if so . . . this court must give effect to Congress's 'unambiguously expressed intent.' If 'the statute is silent or ambiguous with respect to the specific issue,' [courts] ask whether the

> agency's position rests on a 'permissible construction of the statute.'

Sec'y of Labor, Mine Safety and Health Admin. v. Federal Mine Safety and Health Review Comm'n, 111 F.3d 913, 916 (D.C. Cir. 1997) (citing *Chevron*, 467 U.S. at 843). Where the text of the statute is ambiguous, "the agency's interpretation of the statute is entitled to deference so long as it is 'reasonable' and not otherwise 'arbitrary, capricious, or manifestly contrary to the statute.'" *Motion Picture Ass'n of America v. F.C.C.*, 309 F.3d 796, 801 (D.C. Cir. 2002) (citing *Chevron*, 467 U.S. at 843-44).

35 U.S.C. § 2(b)(2)(D) states that the PTO

> may govern the recognition and conduct of agents, *attorneys*, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.

35 U.S.C. § 2 (emphasis added). Furthermore, 35 U.S.C. § 32 (2000) states, in relevant part, that:

> The Director [of the PTO] may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from

> further practice before the Patent and Trademark Office, any person, agent, or *attorney* shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office.

32 U.S.C. § 32 (emphasis added). Pursuant to this authority, the PTO promulgated regulations governing the conduct of attorneys, several of which are implicated in this case. *See, e.g.*, 37 C.F.R. §§ 10.23, 10.62, 10.68, 10.77. Accordingly, this Court must determine whether the PTO's promulgation and enforcement of these regulations is within the authority granted to it by Congress under the standard set forth in *Chevron*, 467 U.S. at 842-845.

While it is clear from the language of 35 U.S.C. §§ 2 and 32 that Congress intended to provide the PTO with the authority to regulate practitioners appearing "before the Office," including attorneys, what is not clear is the scope of this authority. This authority can be construed narrowly to include only those matters "directly involving a proceeding" before the PTO. Pl.'s Opp'n at 12. Under this narrow reading, which is urged by Bender, a failure to disclose a conflict of interest with respect to a particular patent application, for example, would not qualify as being "before the Office." *Id.* at 21. On the other hand, helping a client

to falsify a patent application would qualify. *Id.* The language of the statute may also be read broadly, and would thus include a wider range of conduct relating to representation of a patent applicant or a potential patent applicant. An analysis of the text of the statutes at issue here under *Chevron*, 467 U.S. at 842-45, supports the PTO's broader interpretation.

In 35 U.S.C. § 2, Congress provides that the PTO may adopt regulations to ensure that attorneys "render to applicants *or other persons valuable service, advice, and assistance* in the presentation or prosecution of their applications *or other business* before the Office." 35 U.S.C. § 2 (emphasis added). The language of § 2 is broad in its description of the individuals intended to be covered by the provision, and in the scope of the type of representation it covers. The language in § 32 is also broad in its reach, providing for the suspension or exclusion of an attorney found to have defrauded, deceived, mislead or threatened "*any applicant* or *prospective applicant, or other person* having *immediate or prospective* business before the Office." 35 U.S.C. § 32 (emphasis added). The language of these provisions indicates that the phrase "before the Office" covers even prospective applicants, and suggests that Congress intended the statute to create broad authority. Although the language in § 2 is vague as to the outer limits of the authority intended by Congress, the second step of *Chevron* compels this Court to give substantial deference to the PTO's interpretation and to uphold its interpretation of the statute in this case. *See Chevron*, 467 U.S. at 842-45. Given the language of the statutes at issue, the PTO's interpretation is in no sense "arbitrary, capricious, or manifestly contrary to the

statute." *Id.* at 844. In fact, it also appears that the PTO's interpretation of the statutes seems far more realistic than the interpretation urged by Bender due to the exceedingly narrow bounds of Bender's interpretation. The Court therefore concludes that the PTO did not exceed its statutory authority in prescribing and enforcing the disciplinary rules the plaintiff is challenging.

2. Preemption of state law

Bender cites the Supreme Court's decision in *Sperry v. Florida*, 373 U.S. 379, 402 (1963), for the proposition that the PTO's ability to preempt state law is limited to its "federal objectives," which are strictly limited to the prosecution of patent applications before the PTO, does not include matters that fall under the disciplinary authority of the state bars. Pl.'s Mot at 11; Pl.'s Opp'n at 13-14, 21. While *Sperry* does hold that the PTO's authority to preempt state law is limited to its federal objectives and that states retain control over matters they would normally regulate, 373 U.S. at 402, *Sperry* does not hold that there is a "toggle" switch with respect to state or federal authority to discipline attorneys. The Federal Circuit made this point clear in *Kroll v. Finnerty*, 242 F.3d 1359, 1365 (Fed. Cir. 2001), ruling that the PTO has broad authority to discipline practitioners for misconduct. In *Kroll*, the New York Attorney Grievance Committee sought to discipline a patent attorney who was licensed in New York for conduct related to a patent application. *Id.* The Federal Circuit explained that the Committee was not preempted from acting. *Id.* The Court did not indicate that only the state or the PTO has disciplinary

authority, as Bender suggests. *Id.*; Pl.'s Mot. at 11. Rather, *Kroll* concluded that the state and the PTO share jurisdiction to discipline attorneys in cases where a violation of both PTO regulations and state ethical rules are alleged. *Kroll* at 1365. Accordingly, the PTO's actions in this case do not preempt state law in an impermissible manner, and Bender's contention to the contrary is therefore without merit.

3. The sanction of exclusion

Bender challenges the ALJ's decision to exclude him from the practice of law before the PTO and the GC Decision which upheld the exclusion. Pl.'s Opp'n at 41-46; Appeal Brief Pursuant to 37 C.F.R. § 10.155 (2000) ("Appeal Brief") at 88-100.[9] While he presents numerous arguments as to why the sanction is not appropriate, this Court must adhere to the teachings of *Chevron*, 467 U.S. at 842-845, and *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410, 413-414 (1945), and therefore must accord the PTO substantial

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[9] In his Motion for Summary Judgment and Memorandum of Points and Authorities in Support Thereof, Bender primarily argues that the violations found by the PTO were not supported by substantial evidence, that the PTO acted beyond its statutory authority, and that *Goldstein v. Moatz* requires the dismissal of this case. However, in his motion Bender incorporates by reference the arguments raised in his Appeal Brief before the PTO pursuant to 37 C.F.R. § 10.155 (2000), and his subsequent Request for Reconsideration filed pursuant to 37 C.F.R. § 10.156(c). Pl.'s Mot. at 21. Bender sets forth these arguments in his Opposition to the Defendant's Cross-Motion for Summary Judgement. Accordingly, this Court will address all arguments that have been raised by Bender.

deference with respect to its decision that Bender's exclusion was reasonable under the applicable statutes and regulations. Bender's main argument is that 35 U.S.C. § 32 allows the agency to exclude him from practice only if he is shown to be "incompetent or disreputable" or "guilty of gross misconduct." Pl.'s Opp'n at 40; Appeal Brief at 88. The PTO responds, and this Court agrees with its position, that this is not a correct reading of the statute. 35 U.S.C. § 32 provides that

> [t]he Director may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, *or* who does not comply with the regulations established under section 2(b)(2)(D) of this title . . . .

35 U.S.C. § 32 (emphasis added). A plain reading of the statute permits an attorney who violates § 2(b)(2)(D), including Bender, to be excluded from practicing before the PTO. This reading clearly covers Bender because as the ALJ Decision correctly concluded, Congress has provided the PTO with express statutory authority to bring cases such this one. ALJ Decision at 5 (citing *Goldsmith v. U.S. Board of Tax Appeals*, 270 U.S. 117, 122 (1926)). And the sanction of exclusion is not inappropriate because the ALJ did not provide a "reasoned discussion" of each of the factors set forth in 37 C.F.R. § 10.154(b) (2001) as argued by Bender, Pl.'s Opp'n at 40, because this Court is not free to disturb the PTO's decision of exclusion so

long as it is reasonable. *Bowles*, 325 U.S. at 413-414. As explained in the GC Decision, Bender's failure to recognize that his conduct was improper, combined with his assertion that he would continue to associate himself with invention promotion companies, warranted the sanction of exclusion to prevent him from causing harm to future clients. GC Decision at 44. The GC Decision also considered Bender's arguments that alleged improper conduct by the PTO amounted to extenuating circumstances because it hampered his efforts in litigating the *Daniels*[10] case, as well as case law cited by Bender to support his claim that exclusion from practice was excessive given the facts. *Id.* at 41-45. The GC Decision provided an explanation for its rejection of Bender's arguments and provided support for the sanction of exclusion. *Id.* Specifically, the GC Decision explained that 35 U.S.C. § 32 does not require a showing of "incompetent or disreputable conduct" or "gross misconduct" because the statute does not distinguish between the grounds for suspension and exclusion. Id. at 40-41.

The GC Decision also explained that the alleged improper PTO conduct with respect to Bender's litigation of the *Daniels* case did not preclude taking disciplinary action against Bender because it was ultimately his choice to take such a large number of clients, and that it was therefore Bender's actions and

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[10] *In re Daniels*, 144 F.3d 1452 (Fed. Cir. 1998), was a case in which Bender succeeded in "having a large number of design applications revived, after they had been rejected by the PTO for including non-invented indicia in design applications." ALJ Decision at 25 n.25.

not the conduct of the PTO in reviewing the patent applications that were at fault in this case. Pl.'s Opp'n at 41. Moreover, the sanction of exclusion was found to be warranted because improper conduct by the PTO did not mitigate Bender's "failure to ensure that continued prosecution of the application was in fact in the clients' best interests" and that conflicts of interest on Bender's part remained, despite any action of the PTO. *Id.* at 41-42. The GC Decision went on to note that while some violations found in the ALJ Decision were not sustainable, "the core violations upon which the recommended remedy rests, and the only ones specifically discussed in the penalty section of the [ALJ Decision]," namely, Bender's conflicts of interest and failure to give adequate advice to his clients, "have been upheld." *Id.* at 42. The GC Decision further explained that the reversal of the ALJ Decision's finding with respect to count 2 did not mitigate against exclusion because the counts that were upheld nevertheless supported the sanction of exclusion. *Id.* The GC Decision also distinguished the cases cited by Bender to show that the remedy in this case was unduly harsh, explaining that Bender's violations were more serious than those in the cases he cited. *Id.* at 42-44. Finally, the GC Decision explained that Bender's stated intent to continue representing clients associated with invention promotion companies and his failure to recognize that his conduct was improper created the possibility that he would again violate the rules and cause further harm to clients. *Id.* at 44. In light of the explanation provided in the record, both in the ALJ Decision and the GC Decision, the sanction of exclusion is in accordance with both 35 U.S.C. § 32 and 37 C.F.R. § 10.154(b). Accordingly, the Court has no

basis to disturb the sanction of exclusion imposed by the PTO.

C. Are the violations found by the PTO supported by substantial evidence and are the PTO's interpretations of its disciplinary regulations reasonable?

Bender challenges the PTO's findings that his actions violated its disciplinary rules. Pl.'s Mot. at 15-17; Pl.'s Opp'n at 4-10, 14-20, 21-24 While the parties agree that the standard of review is the "substantial evidence" standard, several of Bender's arguments challenge the PTO's interpretation and application of its own disciplinary regulations, rather than the evidence underlying the violations found by the PTO. Pl.'s Mot. 15-17; Pl.'s Opp'n at 4-10, 14-20, 21-24. And there is no question that with respect to the questioned interpretation and application of the disciplinary regulations, the deferential standard set forth in *Bowles*, 325 U.S. at 413-414, and its progeny applies in this case. Under the APA, a reviewing court must set aside agency decisions that are not supported by substantial evidence. 5 U.S.C. § 706(2)(A) (2000); *Throckmorton v. Nat'l Transp. Safety Bd.*, 963 F.2d 441, 444 (D.C. Cir. 1992). The District of Columbia Circuit has reiterated what the Supreme Court explained amounts to "substantial evidence" sufficient to uphold an agency decision. *Morall v. Drug Enforcement Admin.*, 412 F.3d 165, 176 (D.C. Cir. (quoting *N.L.R.B. v. Columbian Enameling & Stamping Co.*, 306 U.S. 292, 299-300 (1939)). *Morall* noted that "[s]ubstantial evidence 'means evidence which is substantial, that is, affording a substantial basis of fact from which the fact in issue can be

reasonably inferred. [Thus,] [s]ubstantial evidence is more than a scintilla, and must do more than create a suspicion of the existence of the fact to be established.'" *Id.* In reviewing a decision to determine whether it was based on substantial evidence, "[t]he court's function is to determine only 'whether the agency . . . could fairly and reasonably find the facts that it did.'" *Robinson v. Nat'l Transp. Safety Bd.*, 28 F.3d 210, 215 (D.C. Cir.1994) (internal citations omitted). Importantly, "an agency decision 'may be supported by substantial evidence even though a plausible alternative interpretation of the evidence would support a contrary view.'" *Morall*, 412 F.3d at 176 (quoting *Robinson*, 28 F.3d at 215). However, while the substantial evidence standard is a deferential standard of review, an agency decision must take contradictory evidence into account in making its determination, and must "reflect attentive consideration" to the ALJ's decision. *Morall*, 412 F.3d at 177. In other words, an agency cannot simply ignore contradictory evidence or the decision of an ALJ in making its final determination. *See, e.g., E. Tenn. Natural Gas Co. v. F.E.R.C.*, 953 F.2d 675, 681 (D.C. Cir.1992). Thus, in reviewing the agency's decision to assess the presence of substantial evidence, the reviewing court must look to the administrative record. *Fed. Power Comm'n v. Transcontinental Gas Pipe Line Corp.*, 423 U.S. 326, 331 (1976) ("[T]he focal point for judicial review should be the administrative record already in existence, not some new record made initially in the reviewing court.") (citing Camp v. Pitts, 411 U.S. 138, 142 (1973)).

With respect to an agency's interpretations of its own regulations, courts must give substantial

deference to what the agency has concluded. *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 512 (1994). The Supreme Court has explained that "[the courts'] task is not to decide which among several competing interpretations best serves the regulatory purpose. Rather, the agency's interpretation must be given 'controlling weight unless it is plainly erroneous or inconsistent with the regulation.'" *Id.* (internal citations omitted) (quoting *Bowles*, 325 U.S. at 414); *see also Martin v. Occupational Safety and Health Review Comm'n*, 499 U.S. 144, 150-51 (1991) (courts should give effect to agency's interpretation as long as it is reasonable where the meaning of the statute is "not free from doubt."); *Lyng v. Payne*, 476 U.S. 926, 939 (1986) (courts must confer substantial deference to an agency's construction of its own regulations.); *Udall v. Tallman*, 380 U.S. 1, 16 (1965) (interpretation of a statute by agency charged with its administration generally is entitled to great deference.)

1. The neglect charges (neglect of entrusted matters)

With respect to the charge that Bender, in violation of 37 C.F.R. § 10.77(c),[11] neglected to notify several of his clients about the rejection of their patent applications in a timely manner, which then required the clients to pay an extension fee if they desired to appeal the rejection, Def.'s Mem. at 8, Bender argues that both the ALJ Decision and the GC Decision failed to take into account why he delayed notifying his

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[11] 37 C.F.R. § 10.77(c) states that "[a] practitioner shall not . . .[n]eglect a legal matter entrusted to the practitioner."

clients about the rejection of their patents. Pl.'s Opp'n at 5-6. Specifically, Bender argues that the timing of the letters was based on the pending decision in the *Daniels* case, and that his decision to delay notifying his clients was therefore not neglect, but rather a tactical decision on his part, designed to save his clients from paying unnecessary appeal fees. *Id.* Bender also argues that the PTO's failure to produce an expert witness to testify as to the meaning of the word "prompt" also resulted in erroneous holdings both in the ALJ Decision and the GC Decision on the issue of his alleged neglect. *Id.* at 6.

In response, the PTO argues that whatever "tactical advantages" Bender's clients may have gained by delaying the filing of appeals, there is no adequate explanation for his failure to inform his clients of the situation in a timely manner, a decision which "simply deprived the client of the option to file within the three-month period and so avoid fees." Def.'s Mem. at 8-9 (citing GC Decision at 26-27). The PTO therefore argues that Bender's failure to provide timely notification with respect to five clients is supported by substantial evidence. Def.'s Mem. at 8-9.

The GC Decision addressed these and other arguments made by Bender with respect to the neglect charges. GC Decision at 20-27. The GC Decision based its conclusion that Bender violated rule 10.77(c) on (1) his failure to advise his clients about the type of patent that should be sought in letters he sent to them on this point, *id.* at 20-25, and (2) his failure to promptly notify his clients of the final rejections of their applications. *Id.* at 25-27. The GC Decision provides an explanation as to why Bender's

justifications for his conduct are not sufficient, and refers to facts in the record in support of its conclusion. *Id.* Specifically, the GC Decision explained that with respect to Bender's failure to promptly notify his clients of the rejection of their design applications (within the three-month period when the payment of a fee to appeal the decisions was not required), his clients would have had more time to decide on a course of action and would have avoided payment of the late filing surcharge. *Id.* The GC Decision found that Bender's justification for the delayed notification of his clients was not plausible, because the action he ultimately took (late notification) was inconsistent with his justification for why he did not notify his clients earlier. *Id.* at 26 (citing Appeal Brief at 31). The GC Decision also concluded that Bender could have notified his clients of the rejections with an explanation that options were available to them, and was professionally obligated to do so. *Id.* at 27. Based on these considerations, the GC Decision found that Bender did not provide an adequate explanation of the reasons for his delay. *Id.* Accordingly, the PTO's decision did not ignore Bender's justifications for his actions, but rather rejected them with specific and persuasive explanations as to why Bender's justifications for his actions were not convincing. The explanation in the GC Decision therefore meets the substantial evidence standard because it "could fairly and reasonably find the facts that it did," *Morall*, 412 F.3d at 176-77, namely, that Bender's explanations for his actions are not plausible.[12] The controversy is

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[12] Importantly, there is no dispute as to *when* Bender notified his clients of the rejections. GC Decision at 8 (citing ALJ Decision at

therefore reduced to whether the undisputed time of notification was or was not "prompt." Furthermore, to the extent that the PTO's decision is based on its interpretation of § 10.77(c), such as Bender's argument regarding the meaning of the term "prompt", the PTO's decision is consistent with language of the regulation. Therefore, it must be upheld by this Court. *Thomas Jefferson Univ.*, 512 U.S. at 512.

2. The conflicts of interest charges

Bender received substantial sums of money from AIC, GC Decision at 27 (citing ALJ Decision at 23), and the ALJ Decision and GC Decision concluded that Bender should have recognized that his interests might diverge from those of his clients and that he was therefore required to inform them about the potential conflict of interests and to obtain his clients' informed consent to represent them. ALJ Decision at 24; GC Decision at 31-32. The ALJ found that Bender violated 37 C.F.R. § 10.62(a)[13] by accepting employment without disclosing that his professional judgment could be affected by his own financial interests. GC Decision at 27.

15-16, 30, 34, 36, 42). The only dispute then is whether his delay in notifying his clients was neglectful, or whether it was justified.

[13] 37 C.F.R. § 10.62(a) states that "[e]xcept with the consent of a client after full disclosure, a practitioner shall not accept employment if the exercise of the practitioner's professional judgment on behalf of the client will be or reasonably may be affected by the practitioner's own financial, business, property, or personal interests."

Bender asserts that the conflicts of interest findings under 37 C.F.R. § 10.62(a) cannot be upheld because he viewed AIC as the agent of the inventors, whom he characterized as his clients, and that his relationship with AIC was not the same as that of a client because he dealt with AIC at arms-length and collected legal fees only after his work was completed. Pl.'s Opp'n at 14. He further asserts that there was no proof of a "conflict" arising from his relationship with AIC based on the evidence adduced at the hearing and that an agent or intermediary acting on behalf of the client does not create a conflict per se, and that indeed, the PTO's own rules sanction such relationships. *Id.* at 17. He also contends that the PTO did not present any evidence that his relationship with AIC "would or reasonably might affect his professional judgment with respect to his representation of his client at the outset of his employment." *Id.* at 18.

The PTO argues, on the other hand, that there were, at the very least, interests that were potentially divergent because there was a 100% money-back guarantee to the clients if the patents were not issued, and further that Bender knew about this guarantee. Def.'s Mem. at 11 (citing RX-31 at 3, 10).[14] While the PTO acknowledges that a practitioner may represent a client where potential conflicts of interest are properly disclosed, the PTO contends that in this case, Bender failed to provide adequate disclosures because

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[14] The parties utilize, as does the Court, the following references to the record: Respondents' Exhibits are referred to as RX, and the PTO's exhibits are referred to as GX, with both references followed by Bates numbers.

he did not explain the extent of his involvement with AIC, and did not address the money-back guarantee and the potential conflicts arising from AIC's addition of the non-invented features to the patent applications. *Id.* at 12 (citing GC Decision at 31). The PTO also contends that Bender violated 37 C.F.R. § 10.68(a)(1)[15] because full disclosure pursuant to the regulation requires disclosure as to the amount of the payments a practitioner receives from other sources, and that the record shows that Bender failed to do this. Def.'s Mem. at 13-14 (citing ALJ Decision at 15; GC Decision at 34-35).

The GC Decision addressed the very same arguments Bender makes here, and concluded that the conflict charges were amply supported by the evidence. GC Decision at 27-33. The GC Decision discusses with specificity the reasons supporting its conclusion that there were conflicts between Bender's interests and those of his clients, pointing to Bender's significant financial interests, the issue of whether AIC or the inventors were culpable for the added surface drawings, and the money-back guarantee. *Id.* at 27-29. The GC Decision also explained why, in the ALJ's view, there was no full disclosure as to the conflicts and lack of effective consent by the clients. *Id.* at 30-33. These explanations sufficiently establish that there was substantial evidence in the record to

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[15] 37 C.F.R. § 10.68(a)(1) provides that "[e]xcept with the consent of the practitioner's client after full disclosure, a practitioner shall not . . .[a]ccept compensation from one other than the practitioner's client for the practitioner's legal services to or for the client."

uphold the ALJ's decision. Furthermore, the GC Decision specifically addressed and rejected Bender's "arms-length" argument, the essence of which was that Bender was not dealing closely with AIC, but was representing his clients directly with AIC as their agent. GC Decision at 33. The record therefore establishes that there was sufficient evidence to conclude that Bender violated 37 C.F.R. § 10.62(a).

The GC Decision also explained why there was a finding of a lack of full disclosure pursuant to 37 C.F.R.§ 10.68(a)(1) with respect to Bender accepting funds from a source other than his clients. GC Decision at 34 (citing ALJ Decision at 15 (citing Transcript at 231-233)). Specifically, the GC Decision explained that "full disclosure" within the meaning of the regulation includes disclosure of the *amount* of the payment received from a third party. *Id.* at 34 (emphasis added). This conclusion was based on the PTO's interpretation of its own regulation and must therefore be given substantial deference. *Thomas Jefferson Univ.*, 512 U.S. at 512. And the PTO's interpretation of the regulation is reasonable and is not "plainly erroneous or inconsistent with the regulation." *Id.* (quoting *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410, 414 (1945). Indeed, the regulation states that "[e]xcept with the consent of the practitioner's client after *full* disclosure, a practitioner shall not . . . [a]ccept compensation from one other than the practitioner's client for the practitioner's legal services to or for the client." 37 C.F.R. § 10.68(a)(1) (emphasis added). Therefore, Bender's argument that the rule was erroneously interpreted by the PTO must be rejected. As additional support for this Court's conclusion, the GC Decision also pointed to evidence

discussed in the ALJ Decision that demonstrated that Bender failed to make full disclosure in accordance with the regulations. GC Decision at 34; ALJ Decision at 15 (noting that one of Bender's clients "was not apprised of the amount [he] was billing A.I.C. for his legal services."). Accordingly, the Court concludes that the evidence set forth in the ALJ Decision and the GC Decision with respect to Bender's conflicts of interest amounts to substantial evidence of this conclusion.

3. The evasion charges

The PTO found that Bender violated 37 C.F.R. § 10.23(b)(5) by allegedly "engaging in conduct prejudicial to the administration of justice, when he provided evasive answers to RFIs served upon him on September 18, 1998." Def.'s Mem. at 14 (citing ALJ Decision at 30-31; GC Decision at 35-36; GX-1 at 190). Bender argues that the evasion charge under 37 C.F.R. § 10.23(b)(5) was not supported by the record and that the answers he provided in response to the RFI were not evasive. Pl.'s Opp'n at 21-24. Further, he argues that the ALJ failed to explain how the answers were evasive. *Id.* at 23. He also argues that the administrative complaint did not specify the questions to which his answers were deemed evasive and that the finding itself was based on the issuance of "improper" RFIs.[16] *Id.* at 22-24. On the other hand, the PTO argues that "[t]he ALJ's decision specifically

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[16] Bender's argument with respect to the RFIs was addressed in the section of this opinion that addresses the impact of the *Goldstein* decision on the RFIs at issue in this case. *See supra* Section III.A., pp. 7-11.

addressed [Bender]'s evasion of several questions," identifying the relevant questions, and contends that Bender "could and should simply have stated that he did not make the disclosures which the [PTO] required, and, if he wished, explained why he did not believe they were legally required." Def.'s Mem. at 14-15 (citing GX-1 at 193, 197-198, 212, 214-215).

37 C.F.R § 10.23(b)(5) provides, in part, that "[a] practitioner shall not . . . engage in conduct that is prejudicial to the administration of justice." 37 C.F.R § 10.23(b)(5). Consequently, the GC Decision upheld the evasion finding only with respect to the September 18, 1998 RFI, as it was the only one specifically identified in the administrative complaint and "[o]nly with respect to Count 1 [did] the ALJ Decision make specific findings of evasion that clearly relate[d] to the charged conduct." GC Decision at 35. Specifically, the ALJ considered Bender's answers to several specific questions and determined those answers to be evasive. Def.'s Mem. at 14-15; ALJ Decision at 30. Moreover, the GC Decision, which discussed the finding of evasion alleged in Count 1, explain[ed] that the answers were evasive on their face and that the record therefore supported that finding. GC Decision at 35. In reaching this conclusion, the GC Decision rejected Bender's argument that there was no evidence in the record to support the charge. *Id.* Importantly, Bender did not explain how the answers were not evasive, and apparently did not do so at his hearing. Based on the record, the finding of evasion was supported by substantial evidence. The Court also finds that the specific discussion of the answers deemed to be evasive is sufficient to uphold the finding, given that the

"evasive" nature of the answers is apparent on their face, and the requirement that the agency's determination of what constitutes evasion under § 10.23(b)(5) be accorded substantial deference. *Bowles*, 325 U.S. at 414.

D. Is there evidence in the record of bias or prejudgment amounting to a denial of the plaintiff's right to be adjudicated by a neutral decisionmaker?

1. Prejudgment and Institutional bias

Bender contends that his case was prejudged, and points to the statements of certain PTO officials as evidence that an "institutional bias" pervaded the PTO's investigation and adjudication of his case. Pl.'s Mot. at 4-5, 9; Pl.'s Opp'n at 24-26. For one, he relies on the statements of Michael Kirk, former Deputy Commissioner of Patents and Trademarks, made during his testimony to the Senate Subcommittee on Regulation and Government Information in 1994. *Id*; Pl.'s Stmt.¶ 12. Specifically, Kirk made the following statements:

> [W]e have taken two individuals off the rolls and we have cases pending against four others . . . [;]it is a very small percentage [of the registered patent attorneys], but nonetheless bad apples create very bad situations . . . The ones that we are dealing with were working with the invention promotion companies . . .[b]ut [] they are not properly representing their clients' interests. They are working more for the invention development firm and so we

> have taken action against them to take them off the rolls.

Id. Although Kirk did not mention him by name, Bender contends that he was one of the attorneys being referenced by Kirk as "bad apples" for three reasons: (1) when the statement was made, he was being investigated by the PTO; (2) the facts involving the attorneys mentioned were the same as those in his case, that is, situations where drawings had been added to design applications; and (3) information he has about three other attorneys who were excluded from practice logically leads to the conclusion that he was the fourth attorney Kirk mentioned. Pl.'s Opp'n at 26. He also points to the statement of Q. Todd Dickinson, a former Commissioner of Patents and Trademarks, who stated that invention promotion companies are like "weeds" or "cockroaches" and need to be "more aggressively stamped out." Pl.'s Mot. at 9. Bender contends that these statements reveal an "institutional bias" against any attorney affiliated with an invention promotion company, and thus an institutional bias with respect to him personally, making it impossible for him to receive a fair adjudication. Pl.'s Opp'n at 24-26.

The PTO responds that Bender's theory regarding the PTO's animus against invention promotion companies and consequently against him are merely "speculative allegations." Def.'s Mem. at 15. The PTO notes that the officials Bender identified never referred to the situation involved in this case or mentioned him by name. *Id.* In addition, the PTO contends that Bender fails to cite any record evidence in support of his theory or even to allege that the

theory would form a basis for overturning the PTO's decision, even if true. *Id.* at 16.

Where a violation of due process resulting from bias is alleged, the complaining party bears the burden of showing "a risk of actual bias or prejudgment" and must "overcome the presumption of honesty and integrity in those serving as adjudicators." *Withrow v. Larkin*, 421 U.S. 35, 47 (1975). The Supreme Court has held that earlier statements about a position on an issue of law or policy is not a sufficient basis to disqualify a decisionmaker. *See, e.g., Hortonville Joint Sch. Dist. No. 1 v. Hortonville Educ. Assn.*, 426 U.S. 482, 493 (1976) ("Mere familiarity with the facts of a case gained by an agency in the performance of its statutory role does not, however, disqualify a decisionmaker. Nor is a decisionmaker disqualified simply because he has taken a position, even in public, on a policy issue related to the dispute . . . ."); *Laird v. Tatum*, 409 U.S. 824, 831-838 (1972); *Fed. Trade Comm'n v. Cement Inst.*, 333 U.S. 683, 700 (1948). In order to prevail on the claim that he was denied due process because the decision maker was biased, Bender must show that the "decision maker [was] 'not capable of judging a particular controversy fairly on the basis of its own circumstances.'" *NEC Corp. v. United States*, 151 F.3d 1361, 1373 (Fed. Cir. 1998) (quoting *Hortonville*, 426 U.S. at 493) (internal quotations omitted), *cert. denied*, 525 U.S. 1139 (1999). This standard can be met, for example, by showing that "the decision maker's mind is 'irrevocably closed . . . .'" *Id.* (quoting *Cement Inst.*, 333 U.S. at 701).

In *Cement Institute*, prior to the filing of a complaint by the Federal Trade Commission ("FTC" or

"Commission") against, *inter alia*, cement industry businesses, alleging antitrust violations, the Commission, or some of its members, had concluded that the system used in the industry amounted to a restraint of trade in violation federal antitrust legislation. *Id.* at 687, 700-01. In ruling on whether the Commission should have granted the industry's request that the Commission disqualify itself, the Supreme Court assumed that "an opinion [on the issues under consideration] had been formed by the entire membership of the Commission . . ." *Id.* at 700. Nonetheless, the Court rejected the argument that the Commission had prejudged the issues or was biased. *Id.* at 700-701. The Court concluded:

> the fact that the Commission had entertained such views as a result of its prior *ex parte* investigations did not necessarily mean that the minds of the members were irrevocably closed on the subject of the respondents' basing point practices. . . .[The members of the industry] produced evidence–volumes of it. They were free to point out to the Commission by testimony, by cross-examination of witnesses, and by arguments, conditions of the trade practices under attack which they thought kept these practices within the range of legally permissible business activities.

Id. at 701. Similarly, in *Keating v. Office of Thrift Supervision*, 45 F.3d 322 (9th Cir. 1995), the Director of the Office of Thrift Supervision had made statements which indicated that he had prejudged the facts of a case that was before the agency. *Id.* at 327. But, the Ninth Circuit held that these statements,

along with other factors, did not result in an unfair decision because the agency head resigned before the ALJ issued his decision, and the final order was also issued by another official. *Id.* While finding the former Director's comments troubling, the *Keating* Court determined that his role in the ultimate decision was minor, and that the agency therefore did not violate the neutral decisionmaker requirement. *Id.* On the other hand, in *Cinderella Career and Finishing Sch., Inc. v. FTC*, 425 F.2d 583 (D.C. Cir. 1970), the Circuit Court for this Circuit held that FTC committed a due process violation because its Chairman made statements that indicated prejudgment of both the law and the facts of a particular case while the appeal from a hearing examiner's decision the Examiner's case was pending before him. *Id.* at 589-91.

Here, the facts of this case do not rise to a level that would warrant a finding that there was prejudgment or institutional bias against Bender. Like the agency decisions in *Keating*, the initial and final decisions here were not those of the individual who made the comments at issue. *Keating*, 45 F.3d at 327. The individuals in this case had left the PTO prior to the issuance of the GC Decision, and the actual decision makers (the ALJ and Toupin) did not personally make any statements that would indicate bias. Thus, this case is distinguishable from *Cinderella* on this crucial point because there, the biased statements were made by the decision maker, who at the time had the case pending before him. *Cinderella*, 425 F.2d at 589. Furthermore, *Cinderella* involved statements made in a public speech, which the Court found different than a pre-decision press release that expresses concern about the activities of a party. *Id.* at 590. The

comments at issue in this case were general in nature and reflected opinions essentially related to a policy position. *See Cement Inst.*, 333 U.S. at 700. In any event, to the extent the statements made by Kirk and Dickinson pertain to the facts of Bender's case, they are exceedingly vague and do not identify Bender by name, and Bender's contention that the statements were specifically directed at him is highly conjectural. Moreover, they do not provide an adequate basis for this Court to conclude that the agency as a whole prejudged the facts of his particular case, and thereby, failed to provide him with a neutral decision maker. Under these circumstances, the Court concludes that Bender has not provided proof of prejudgment or institutional bias sufficient to show a violation of the neutral decision maker requirement. *Keating*, 45 F.3d 322 at 327.

Bender also alleges that the Committee on Discipline was tainted because one of its members (Rolla) knew that the PTO had a policy which was hostile to invention promotion companies and that Bender was affiliated with such a company. Pl.'s Opp'n at 30; Appeal Brief at 79. The Court rejects this argument because Bender has failed to offer any proof that this was indeed the case, and thus has not established "a risk of actual bias or prejudgment," which is necessary to "overcome[] [the] presumption of honesty and integrity in those serving as adjudicators . . . ." *Withrow*, 421 U.S. at 47. Indeed, Bender himself acknowledges that this argument is based on speculation. Pl.'s Opp'n at 30 ("Even though Mr. Rolla's vote was not necessary for a majority, there is no way to know whereby his influence upon the others can be quantitatively measured."). Accordingly,

Bender has failed to show either prejudgment or institutional bias.

2. Was there bias on the part of the ALJ?

Bender further argues that the ALJ was biased because during his hearing the ALJ made remarks that Bender characterizes as "intemperate" and "hostile." Pl.'s Opp'n at 35; *see also* Appeal Brief 102-109. He also argues that the ALJ "mischaracterized" or "belittled" his evidence. Pl.'s Opp'n at 36. He further contends that the ALJ's "*sua sponte*" conclusions with respect to certain findings of fact and law are not supported by evidence. *Id.* at 36-37.[17] In response, the PTO argues that there is no indication of bias on the part of the ALJ, and that his unfavorable statements about Bender constitute "reasonable inferences from the record." Reply in Support of Defendant's Cross-Motion for Summary Judgment ("Def.'s Reply.") at 21. Furthermore, the PTO argues that there is no evidence in the record of "deep-seated favoritism or antagonism" against Bender by the ALJ. *Id.* (citing *Liteky v. U.S.*, 510 U.S. 540, 555 (1994)).

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[17] For the reasons explained above, the findings of the ALJ on the charges upheld in the GC Decision are supported by substantial evidence and this Court therefore declines to address in this section of the opinion Bender's argument that there was not substantial evidence in the record to support the ALJ's conclusions.

Bias on the part of a decision maker sufficient for disqualification is difficult to prove. As the Supreme Court has stated:

> opinions formed by the judge on the basis of facts introduced or events occurring in the course of the current proceedings, or of prior proceedings, do not constitute a basis for a bias or partiality motion unless they display a deep-seated favoritism or antagonism that would make fair judgment impossible. Thus, judicial remarks during the course of a trial that are critical or disapproving of, or even hostile to, counsel, the parties, or their cases, ordinarily do not support a bias or partiality challenge.

Liteky, 510 U.S. at 555. The *Liteky* Court cited *Berger v. United States*, 255 U.S. 22 (1921), a German espionage case from World War I where the Judge stated that "'[o]ne must have a very judicial mind, indeed, not [to be] prejudiced against the German Americans' because their 'hearts are reeking with disloyalty[,]'" as an example of impermissible bias, *i.e.*, "such a high degree of antagonism as to make fair judgment impossible." *Liteky*, 510 U.S. at 555 (quoting *Berger*, 255 U.S. at 28). On the other hand, the Court noted that "expressions of impatience, dissatisfaction, annoyance, and even anger, that are within the bounds of what imperfect men and women . . . sometimes display" are not sufficient to show impermissible bias. *Id.* at 555-56. Thus, the Court explained that only rarely will remarks by the adjudicator rise to the level of impermissible bias. *Id.* at 555. Furthermore, the *Liteky* Court explained that bias should not be imputed

to a judge where the judge declines to find all or most of the evidence put forth by a party credible. *Id.* Indeed, as the Supreme Court has noted, "in the determination of litigated facts, the testimony of one who has been found unreliable as to one issue may properly be accorded little weight as to the next. Accordingly, total rejection of an opposed view cannot of itself impugn the integrity of competence of a trier of fact." *N.L.R.B. v. Pittsburgh S.S. Co.*, 337 U.S. 656, 659 (1949). Thus, the District of Columbia Circuit explained, "[a] trial judge must be free to make rulings on the merits without the apprehension that if he makes a disproportionate number in favor of one litigant, he may have created the impression of bias. Judicial independence cannot be subservient to a statistical study of the calls he has made during the contest." *S. Pac. Commc'ns Co. v. Am. Tel. and Tel. Co.*, 740 F.2d 980, 995 (D.C. Cir. 1984). And the Circuit Court has applied the *Liteky* standard to ALJs in the administrative hearing context. *See e.g., Pioneer Hotel, Inc. v. N.L.R.B.*, 182 F.3d 939, 944 (D.C. Cir. 1999).

Here, none of the ALJ's remarks identified by Bender reveal bias which "display a deepseated favoritism or antagonism that would make fair judgment impossible." *Liteky*, 510 U.S. at 555. While some of the remarks do evidence a frustration with Bender and a sense that his positions and evidence lack credibility, both the Supreme Court and the District of Columbia Circuit have made it clear that a judge who forms views or opinions within the context of the hearing, including those causing frustration or hostility toward one of the parties, do not exhibit disqualifying bias. *Liteky*, 510 U.S. at 555; *Pittsburgh*

S.S. Co., 337 U.S. at 658; *S. Pac. Commc'ns Co.*, 740 F.2d at 995. Accordingly, Bender has failed to show that the ALJ was impermissibly biased against him.

E. Did the PTO violate the APA by failing to provide Bender with written notice of the disciplinary violations and the opportunity to demonstrate or achieve compliance with its disciplinary regulations before initiating the disciplinary proceedings?

Bender next argues that the PTO violated § 558(c) of the APA, 5 U.S.C. § 558(c) (2005), by failing to (1) give him notice of the facts or conduct which may result in disbarment and (2) the opportunity to show that he had complied or to bring himself into compliance with the regulations he was found to have violated. Pl.'s Opp'n at 27-29; Motion for Reconsideration pursuant to 37 C.F.R. § 10.156(c) ("Mot. for Recon.") at 7-10. In essence, Bender argues that the decision of the PTO to bring the case against him was subject to the requirements of § 558(c) of the APA, and therefore, he did not receive the required notice and opportunity to demonstrate compliance, or to bring himself into compliance, as called for by the APA. Pl.'s Opp'n at 27-28. Further, Bender argues that if PTO deemed these requirements unnecessary, such a determination under § 558(c) could be made only upon a finding of either willfulness or the need to act in the public interest, and that an "adjudication" of this nature was not made before the disciplinary proceedings against him were initiated. *Id.* The precise question raised by Bender is therefore whether the PTO's decision to initiate disciplinary proceedings against him had to be preceded by compliance with the requirements of § 558(c).

The PTO argues that its decisions made prior to the ALJ hearing, such as the decision to bring the administrative proceeding against Bender, "are not subject to the APA's judicial review provisions." Reply in Support of Defendant's Cross-Motion for Summary Judgment ("Def.'s Rep.") at 16. The PTO contends that "§ 558(c) does not, by its terms, require any proceeding whatsoever to determine whether its notice and opportunity requirements apply in a particular case" because the decision does not constitute an "agency proceeding." *Id.* at 16-17.

Section 558(c) of the APA states that "*[e]xcept in cases of willfulness* or those in which public health, interest, or safety requires otherwise, the withdrawal, suspension, revocation, or annulment of a license is lawful only if, before the institution of agency proceedings therefor, the licensee has been given – (1) notice by the agency in writing of the facts or conduct which may warrant the action; and (2) opportunity to demonstrate or achieve compliance with all lawful requirements." 5 U.S.C. § 558(c) (emphasis added). "Willfulness" under § 558(c) has been defined as "an intentional misdeed or such gross neglect of a known duty as to be the equivalent thereof." *Capitol Packing v. United States*, 350 F.2d 67, 78-79 (10th Cir.1965). In addition, a violation has been deemed willful if "the violator '(1) intentionally does an act which is prohibited, – irrespective of evil motive or reliance on erroneous advice, or (2) acts with careless disregard of statutory requirements . . . .'" *Potato Sales Co., Inc. v. Dep't of Agric.*, 92 F.3d 800, 805 (9th Cir.1996) (quoting *Lawrence v. Commodity Futures Trading Comm'n*, 759 F.2d 767, 773 (9th Cir.1985)). The District of Columbia Circuit has held that a formal

determination as to willfulness is not required prior to bringing a complaint. *Finer Foods Sales Co., Inc. v. Block*, 708 F.2d 774, 778 (D.C. Cir. 1983) ("The petitioner argue[d], however, that the Secretary's action was impermissible because, prior to instituting the disciplinary proceeding, he did not make a formal determination of willfulness. Nothing in the Administrative Procedure Act imposes that requirement or supports the petitioner's apparent contention that the determination of willfulness itself may be made only after a hearing."). Rather, an officer making a determination of willfulness must know the "extent and character of the violations, [so as to provide] an adequate basis for making that determination." *Id.*

Finer Foods dealt with the issue of what is required for a finding of willfulness sufficient to dispense with the APA's "opportunity to demonstrate or achieve compliance . . . requirements." *Id.* at 777. There, the petitioner was "a licensee under the Perishable Agricultural Commodities, 7 U.S.C. §§ 499a-499s . . . ," *id.* at 776, who was found to have failed to pay for agricultural goods acquired in 24 transactions in violation of that Act. *Id.* at 777. The petitioner did not dispute that the payments had not been made, but argued that the Secretary of Agriculture's decision that Finder Food's conduct amounted to "flagrant and repeated violations," *id.*, "was impermissible because, prior to instituting the disciplinary proceeding, he did not make a formal determination of willfulness." *Id.* at 778. The District of Columbia Circuit rejected the petitioner's argument, finding that "[n]othing in the [APA] imposes that requirement or supports the . . . contention that the determination of willfulness itself

may be made only after a hearing;" that "[i]f . . . the violations were willful, the requirement . . . of opportunity for correction of the violations is inapplicable;" that "[w]hen the Secretary instituted the disciplinary proceeding without first giving [Finer Foods] the opportunity to cure the violation, necessarily he determined that the violations were willful;" and, that "[s]ince at that time [the Secretary] already knew the extent and character of the violations, he had an adequate basis for making that determination." *Id.*

Here, Bender's argument with respect to willfulness must be rejected under the law of this Circuit. First, there was no requirement that an adjudication of willfulness be made prior to the institution of the disciplinary proceedings. Second, in any event, Bender's conduct, which was found to constitute neglect, failure to disclose conflicting financial interests and evasion in violation of the PTO's regulations can properly be classified as "willful" conduct as defined and found in *Finer Foods*. Lastly, the Director of the OED had knowledge as to both the extent and character of Bender's violations, and therefore had an adequate basis to conclude that Bender's conduct was willful and thus dispense with the APA's notice and opportunity to demonstrate or achieve compliance requirements before disciplinary proceedings were initiated.

F. Did the PTO violate the APA's separation of functions requirement?

Bender argues that the PTO violated the separation of functions requirement, as mandated in

5 U.S.C. § 554(d), by allowing Harry Moatz to investigate the allegations against him, and then to also permit Moatz to participate in the deliberations of the Disciplinary Committee that decided to bring the administrative complaint against him, as well as allowing him to then prosecute Bender at the ALJ hearing. Pl.'s Opp'n at 29; Appeal Brief at 77-78. The PTO responds that the determinations and processes in which Moatz participated were not subject to the proscription of § 554(d). Def.'s Rep. at 17-18.

Section 554(d) of the APA states that

> [a]n employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, participate or advise in the decision, recommended decision, or agency review pursuant to section 557 of this title, except as witness or counsel in public proceedings.

5 U.S.C. § 554(d). Further, the relevant PTO regulation provides that

> [t]he Committee on Discipline shall meet at the request of the Director and after reviewing evidence presented by the Director shall, by majority vote, determine whether there is probable cause to bring charges under § 10.132 against a practitioner. When charges are brought against a practitioner, no member of the Committee on Discipline, employee under the direction of the Director, or associate solicitor or assistant solicitor in the Office of the

> Solicitor shall participate in rendering a decision on the charges.

37 C.F.R. § 10.4(b) (2000). The question, then, is whether the decision of the Committee to bring charges against Bender is an "agency review pursuant to section 557" of the APA. 5 U.S.C. § 554(d). Bender contends that the Disciplinary Committee decision is an "'adjudication' within the meaning of the APA because it triggers a proceeding under § 32 of the patent statute." Pl. Opp'n at 29. This argument is unpersuasive. 37 C.F.R. § 10.4(b) does not provide that the Disciplinary Committee's decision to bring a complaint is an "adjudication" under § 557 of the APA. The APA defines an adjudication as an "agency process for the formulation of an order." 5 U.S.C. § 551(7). An order is defined in the APA as "the whole or a part of a final disposition, whether affirmative, negative, injunctive, or declaratory in form, of an agency in a matter other than rule making but including licensing." 5 U.S.C. § 551(6). The decision to bring a complaint in no way constitutes part of a final disposition, and therefore is not an adjudication. Furthermore, Bender's argument fails because an agency's interpretations of its own regulations are entitled to substantial deference, and the PTO's decision in this case to allow Moatz to proceed under § 10.4(b) is reasonable and must be upheld. *See, e.g. Thomas Jefferson Univ.*, 512 U.S. at 512. With respect to Moatz's subsequent prosecution of Bender, there was likewise no violation of the separation of functions requirement, as prosecution of a matter does not constitute "participation" in the final decision, which is what is prohibited by the APA.

G. Was the administrative complaint sufficiently specific to comply with the APA?

Bender makes several arguments with respect to the complaint that initiated the administrative case against him. Pl.'s Opp'n at 30-31; Appeal Brief at 75-77. He argues that the administrative complaint "fail[ed] to give adequate notice of the grounds of alleged misconduct" because it lists "averments" and "disciplinary rules" separately, and does not provide a "linkage" between the two sections. Pl.'s Opp'n at 31. This structure, argues Bender, makes the administrative complaint "incoherent and confusing" and thus failed to provide fair notice. *Id.* In addition to these general arguments about the alleged deficiency of the complaint, Bender also makes arguments specific to the individually charged violations.

Specifically, with respect to the claims pertaining to neglect under 37 C.F.R. § 10.77(c), Bender argues that the complaint fails to comport with the APA because: (1) the allegations regarding Bender's failure to discuss the appropriateness of the pending patent's design application with his client are not linked with a particular rule, making it hard for him to determine whether the allegation related to neglect or some other charge, such as misrepresentation; and (2) that the allegation in the complaint stating that Bender failed to act with sufficient promptness in informing his clients about the status of their patent applications is similarly defective because it is not tied to any specific rule violation identified in the complaint. Pl.'s Opp'n at 10-11. Additionally, with respect to the charges made under 37 C.F.R. §§ 10.62(a) and 10.68(a)(1),

Bender argues that the complaint does not set forth the charges with sufficient particularity. Pl.'s Opp'n at 20. Specifically, he contends that the factual allegations that formed the basis for the alleged violations of these regulations are set forth "in a conclusory manner without any particularization . . . ." *Id.* Accordingly, Bender claims that these allegations are "non-specific, vague and ambiguous . . ." and failed to "sufficiently inform [him] before the [h]earing of a conflict of interest under the rule, let alone what are the alleged diverging conflicting interest." *Id.*

The PTO argues, in response, that Bender was adequately informed by the complaint of each of the charges lodged against him. Def.'s Rep. at 7-8. Furthermore, the PTO contends that the complaint was sufficient to allow Bender to prepare a defense, and that he was not misled by the complaint. *Id.* It is therefore the PTO's position that the complaint was sufficient and contained all that was required pursuant to 5 U.S.C. 37 § 554(b) (2000) and 37 C.F.R. § 10.134 (2000). *Id.* Def.'s Rep. at 7-8. Moreover, posits the defendant, the complaint specifically states the charges that were made against Bender, and separately identified the facts on which those charges are based. *See* Admin. Compl.

The required content of an administrative complaint is set forth in § 554(b) of the APA. 5 U.S.C. § 554(b). This section provides that "[p]ersons entitled to notice of an agency hearing shall be timely informed of – (1) the time, place, and nature of the hearing; (2) the legal authority and jurisdiction under which the hearing is to be held; and (3) the matters of fact and law asserted." *Id.* The Court notes that the language

used by Congress in subsection three of § 554(b), while specific in its directive that matters of law and fact must be set forth in the notice, provides no guidance about *how* matters of fact and law must be asserted. As explained elsewhere in this opinion, an agency regulation which construes this directive is entitled to substantial deference as to its interpretation under *Chevron*, 467 U.S. at 842-845. And, the PTO has adopted a regulation (37 C.F.R. § 10.134), which governs the content of its administrative complaints. The regulation provides that the complaints filed by the PTO must "[g]ive a plain and concise description of the alleged violations of the Disciplinary Rules by the practitioner." 37 C.F.R. § 10.134(a)(2). And this regulation does not on its face conflict with § 554(b) of the APA.

The National Labor Relations Board ("NLRB") regulation which governs complaints filed by the NLRB[18] is similar to the PTO regulation. Thus, the District of Columbia Circuit's cases addressing complaints filed by the NLRB provide guidance with respect to what must be provided in a complaint issued by the PTO and under what circumstances a complaint may be insufficient. In *NLRB v. Blake Const. Co.*, 663 F.2d 272 (D.C. Cir. 1998), the Court of Appeals held

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[18] 29 C.F.R. § 102.15 (2005) provides, in relevant part, that "[t]he complaint shall contain: (a) A clear and concise statement of the facts upon which assertion of jurisdiction by the Board is predicated, and (b) A clear and concise description of the acts which are claimed to constitute unfair labor practices, where known, the approximate dates and places of such acts and the names of respondent's agents or other representatives by whom committed."

that "[t]he Board may not make findings or order remedies on violations not charged in the General Counsel's complaint or litigated in the subsequent hearing." *Id.* at 279; *see also Gen. Teamsters and Allied Workers Local Union No., 992 v. N.L.R.B.*, 427 F.2d 582, 588 (D.C. Cir. 1970). Thus, the NLRB's "own rules require that the complaint inform . . .[the other party] of the violation asserted." *Id.* (footnote omitted). Therefore, an administrative complaint must, at a minimum, set forth the charged violations and the facts on which those violations are founded so that the charged party may adequately prepare and present a defense. *Blake Const. Co.*, 633 F.2d at 283.

Although, in some instances, the PTO did not specifically correlate the factual allegations with the regulation violations charged in its complaint, this Court finds that the complaint was sufficient to provide Bender with sufficient notice of the charged conduct. As explained above, the APA requires only that the matters of law and fact be asserted in the complaint, and the PTO has done this. The PTO has also reasonably interpreted what its own regulation requires be contained in its complaints and substantial deference must be accorded to that interpretation. And all of the violations which Bender was ultimately found to have committed were sufficiently designated in the complaint (or the violations found by the ALJ were reversed by the GC Decision for a failure to do so), as both the underlying factual conduct and the regulations allegedly violated were asserted, consistent with what the Court required in *Blake Const. Co.*, 663 F.2d at 279, and *General Teamsters*, 427 F.2d at 588. Accordingly, this Court finds that the additional step of specifically identifying which particular facts

correspond with the particular disciplinary regulation charged in the complaint is simply not required by Congress or the law of this Circuit where it is ascertainable, as here, which facts pertain to which charges. Therefore, Bender's challenge to the sufficiency of the complaint must be rejected.

H. Did the PTO or the ALJ commit significant procedural errors bearing on the plaintiff's hearing and the adjudication?

1. Failure to permit discovery

Bender argues that the ALJ's pre-hearing decision not to allow him to take the testimony of certain PTO employees "adversely affected [his] ability to put on an effective defense thereby denying him a full and fair [h]earing." Pl.'s Opp at 33; Appeal Brief at 80-83. It is Bender's contention that if he had been allowed to take testimony from these individuals, he would have been able to present "exculpatory evidence" about, *inter alia*, improper agency conduct as to various aspects of his case (some which are discussed elsewhere in this opinion), improper agency motives, and institutional as well as individual bias. Pl.'s Opp'n at 33-34.

The PTO contends, as a preliminary matter, that the PTO's rejection of certain patent applications is "hardly germane to [the p]laintiff's duty to notify his clients." Def.'s Reply at 1920. Furthermore, the PTO argues that Bender's contention that such discovery would show "unclean hands" on the part of the PTO would not show bias on the part of the ALJ. *Id.* at 20.

With respect to discovery in agency proceedings, the District of Columbia Circuit has explained that

> [t]he extent of discovery that a party engaged in an administrative hearing is entitled to is primarily determined by the particular agency: both the Federal Rules of Civil Procedure and the Federal Rules of Criminal Procedure are inapplicable and the Administrative Procedure Act fails to provide expressly for discovery; further, courts have consistently held that agencies need not observe all the rules and formalities applicable to courtroom proceedings.

McClelland v. Andrus, 606 F.2d 1278, 1285 (D.C. Cir. 1979) (citations omitted) (footnotes omitted). 37 C.F.R. § 10.152(B) states that "[d]iscovery shall not be authorized . . . of any matter which: (1) will be used by another party solely for impeachment or cross-examination." In seeking the testimony of the three PTO employees, Bender's very purpose was to illicit admissions that the PTO's investigation and complaint against him, in which these employees participated or were involved, was unfair and flawed on multiple levels. Pl.'s Opp'n at 33 Appeal Brief at 80-83. Therefore, the discovery sought by Bender was reasonably construed as designed to develop "impeachment or cross-examination" material, and according deference to the agency's interpretations of its own regulations the Court declines to disturb the agency's decision. Accordingly, the Court does not

agree that the ALJ's denial of discovery was improper.[19]

2. The ALJ's failure to dismiss counts of the administrative complaint

Bender argues that the ALJ erred by denying his motion to dismiss eight of the ten counts filed against him because "the PTO did not produce the inventors named in the Counts as witnesses at the hearing even though it owned the burden of proof." Appeal Brief at 53-54; Pl.'s Opp'n at 35. Bender argues that the failure to produce the inventors' names was a violation of § 556(d) of the APA, 5 U.S.C. § 556(d),[20] because "he was deprived of an opportunity to cross-examine these witnesses." *Id.* And, Bender contends that "the remaining witnesses were incompetent to testify probatively about any of the adopted charges with respect to the eight other counts." *Id.* In response, the

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[19] The Court also declines to hold that the ALJ improperly denied Bender's request for discovery of the disciplinary files of other PTO practitioners. Pl.'s Opp'n at 35. Bender contends that these files might show that the PTO wrongly assumes that association with AIC is considered a *per se* violation of the disciplinary rules. *Id.* This argument is purely speculative and is not highly relevant to the real issue in this case, *i.e.*, whether Bender's own actions violated the PTO's regulations, and proof that he did is supported by substantial evidence in the administrative record.

[20] 5 U.S.C. § 556(d), provides in pertinent part that "[a] party is entitled to present his case or defense by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as may be required for a full and true disclosure of the facts."

PTO asserts that because Bender "has not alleged that he was in any way prevented from calling the inventors as witnesses and examining them on any issue relevant to the matter," he was not denied a "full and fair" hearing. Def.'s Reply. at 20 (quoting *Ritz v. O'Donnell*, 566 F.2d 731, 736 (D.C. Cir. 1977)).

The PTO is correct that there is nothing in the record which indicates that Bender was prevented from calling his own witnesses with respect to the charges he claims should have been dismissed, and he was therefore not precluded from "present[ing] his defense by oral . . . evidence," as required by the APA. 5 U.S.C. § 556(d). Neither was he prevented from "submit[ing] rebuttal evidence" in the form of testimony by witnesses he desired to call, as he must be afforded the opportunity to do under § 556(d). Bender's argument implies that the PTO was required to present as witnesses the investors with respect to each charge so that he could cross-examine them, and that without such witnesses the PTO could not support the charges filed against him. The Court must reject this argument. As explained in the GC Decision, the ALJ's determinations were based on "documents prepared in the course of [Bender's] representation of his clients" and were "for the most part, direct evidence of [Bender's] actions in the course of his representation of the pertinent clients". GC Decision at 19.

As previously noted, the violations found by the ALJ are supported by substantial record evidence. And, in such circumstances, there is simply no requirement that the PTO call witnesses to testify as to each count of the complaint in order for them to be

cross-examined by Bender. That Bender himself was not prevented from calling such witnesses adds additional support for this conclusion. *Ritz*, 566 F.2d at 736. Accordingly, Bender's argument must be rejected.

3. Appointment of the ALJ

Bender contends that the appointment of the ALJ, William B. Moran ("Moran"), was improper because it was made in violation of 35 U.S.C. § 32 in that Moran was not an employee of the PTO, and because he was not intimately familiar with patent law and therefore lacked the qualifications to decide his case. Pl.'s Opp'n at 31-32; Req. for Recon. at 23-24. The PTO responds by arguing that § 32 does not mandate the appointment of a PTO employee, but rather provides for the appointment of a PTO employee at the discretion of the Director. Def.'s Reply at 18-19 (citing GC Decision at 16-18). With respect to Bender's argument that the ALJ lacked expertise in patent law, the PTO contends that it was Bender's "obligation to provide any explanation necessary for the ALJ to understand his arguments." *Id.* at 19 (citation omitted).

35 U.S.C. § 32 provides, in relevant part, that "[t]he Director *shall have the discretion* to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section." (emphasis added). Bender argues that this provision *requires* the PTO to designate an officer or employee of the PTO, while the PTO argues that the statute merely gives the Director authority to make such a designation if in his

discretion he chooses to do so. GC Decision at 16-18. As a congressional enactment, the analysis required by *Chevron*, 467 U.S. at 842-845, governs the resolution of this dispute. Under *Chevron*, the language of the provision at issue cannot be evaluated under *Chevron*'s first step, as it is not clear whether the provision permits a non-PTO employee to be appointed as the ALJ. *Id.* Under *Chevron*'s second step, the agency interpretation of the statute must be afforded deference and upheld if it is reasonable. *Id.* The PTO points to the legislative history of the provision, which indeed confirms that the PTO's interpretation is reasonable in light of the language of the statute itself. GC Decision at 16-18. 35 U.S.C. § 32 was amended in 1999, and the legislative history of the amendment indicates the following:

> Suspension or exclusion from practice. Under existing § 32 of the Patent Act, the Commissioner (the Director pursuant to § 632 of this Act) has the authority, after notice and a hearing, to suspend or exclude from further practice before the PTO any person who is incompetent, disreputable, indulges in gross misconduct or fraud, or is noncompliant with PTO regulations. Section 620 *permits* the Director to designate an attorney who is an officer or employee of the PTO to conduct a hearing under § 32.

H.R. REP. 106-287 (1999) (emphasis added). As the PTO correctly notes, the legislative history of the amendment supports the conclusion that the amendment was intended to be permissive, rather than mandatory, with respect to the appointment of an

ALJ. Therefore, the Court concludes that the PTO's interpretation is reasonable and that the appointment of the ALJ was therefore proper.

This Court also rejects Bender's challenge to the appointment of the ALJ based on his lack of expertise in patent law. The case before the ALJ concerned issues of professional conduct of an attorney, and while the issues presented implicated some aspects of patent law, the ultimate question concerned whether Bender engaged in conduct that violated the PTO's disciplinary regulations. While knowledge of patent law might have provided some assistance to the ALJ, it was not essential. The administrative record contained ample information from which the ALJ could reasonably assess whether there was substantial evidence that Bender violated certain disciplinary regulations without having the expertise in patent law. This Court also finds the PTO's argument and reference to the record persuasive with respect to its conclusion that Bender had an obligation to clarify issues of patent law for the ALJ when clarification was necessary. Furthermore, to the extent that there were "misunderstandings" of patent law by the ALJ bearing on material facts undergirding the violations found by the ALJ, his evaluation of the record was ultimately scrutinized by the PTO's General Counsel in his GC Decision, which provided an additional analysis and explanation of the relevant factual matters and legal principles that led to the conclusions that were reached in this case. Accordingly, the appointment of Moran as the ALJ provides no basis for disturbing the decision rendered by the PTO, as the appointment was proper and not made in violation of 35 U.S.C. § 32.

4. Was Bender prejudiced by the delay of the proceedings?

Bender argues that the length of the proceedings did not comport with due process and was prejudicial. Pl.'s Opp'n at 46-47; Appeal Brief at 86-87. Specifically, he alleges that Moatz's involvement in the investigation of his case created a "will to win" on Moatz's part when he was then promoted to the position of Director of the OED. Pl.'s Opp'n at 47. Thus, Bender argues that if the complaint had been brought earlier, there at least would not be an "appearance of prejudgment and bias". *Id.* (emphasis in original). He also argues that Moatz, due to his extensive involvement in the case and his desire to win, failed to engage in "reasonable" settlement negotiations as called for in 37 C.F.R. § 10.131(g) (2000).[21] Pl.'s Opp'n at 47. Bender also contends that because he complained to Moatz's supervisor about "abuses" that Moatz allegedly engaged in, "there is an extremely high risk in the present case that the OED Director harbored an intense "will to win." *Id.* The PTO counters, arguing only that Bender's contention that he was prejudiced because Moatz did not engage in reasonable settlement negotiations lacks merit because he had "no legally cognizable right to a settlement of pending charges under any specific terms" and because the range of settlement

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[21] Bender acknowledges that the Director entered into settlement negotiations with his counsel during the hearing, but contends that the Director's position was unreasonable because the settlement offer called for Bender's "immediate suspension which was the equivalent of exclusion."

possibilities, or the decision not to enter into a settlement at all, were "well within the agency's discretion." Def.'s Rep at 23 (citing *Heckler v. Chaney*, 470 U.S. 821 (1985).

Bender's challenge to the PTO's decision predicated on the delay in resolving his case is unpersuasive. His claim that a complaint instituted prior to Moatz's promotion to the position of Director of the OED would have been free of bias or the appearance of bias is unfounded because, as already noted, Bender has not specifically established any actual bias. His argument concedes as much when he states that had a different agency decision maker been involved, the "present proceeding *might* have been avoided." Pl.'s Opp'n at 47 (emphasis supplied). This argument, combined with the fact that only the "risk" and "appearance" of bias are alleged, is insufficient to establish that the delay resulted in actual prejudice. Similarly, Bender has failed to identify any specific record evidence that supports his supposition that Moatz had an intense "will to win." Rather, all he has offered is pure speculation. And as to Bender's argument regarding settlement process, this Court's review is again constrained by the requirement that deference be accorded to an agency's interpretations of its own regulations. *See, e.g., Thomas Jefferson Univ.*, 512 U.S. at 512. Under this standard, the Court declines to disturb the Director's decision regarding what constitutes a "reasonable" settlement under 37 C.F.R. § 10.131(g). Accordingly, there is no basis for this Court to conclude that Bender was prejudiced by the delay in resolving his case.

IV. Conclusion

For the foregoing reasons, this Court denies Plaintiff's motion for summary judgment and grants Defendant's motion to for summary judgment.[22]

SO ORDERED on this 13th day of January, 2006.

REGGIE B. WALTON
United States District Court Judge

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[22] An order consistent with this memorandum opinion is being issued contemporaneously herewith.

APPENDIX C

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2006-1243

[Filed September 27, 2007]

S. MICHAEL BENDER,
Plaintiff-Appellant,

v.

Jon W. Dudas,
DIRECTOR, PATENT AND TRADEMARK OFFICE,
Defendant-Appellee.

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on October 4, 2007.

FOR THE COURT,

/s/_____
Jan Horbaly
Clerk

Dated: 09/27/2007

cc: S. Michael Bender
Stephen Walsh

BENDER V DUDAS, 2006-1243
(DCT - 04-CV-1301)